State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

October 2015

Washington State Office of Financial Management
Insurance Building • PO Box 43113
Olympia, WA 98504-3113 • (360) 902-0555 • Fax (360) 664-2832

State of Washington
Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

October 2015

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Office of the State Actuary
Office of the State Auditor
State Investment Board
Department of Retirement Systems
Department of Transportation
State Health Care Authority
University of Washington
All state fiscal personnel

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

October 30, 2015

The Honorable Jay Inslee, Governor
Honorable Members of the Legislature
Citizens of the State
State of Washington
Olympia, WA 98504

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year ended June 30, 2015. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unmodified ("clean") opinion on the Washington State financial statements for the fiscal year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Following the MD&A are the basic financial statements, including the government-wide financial statements, the fund financial statements and the notes to the financial statements. The required supplementary information, combining financial statements, individual fund schedules and the statistical section, complete the CAFR.

Profile of Washington State

Washington State was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,303 square miles. Its current population is 7.1 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline has hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

Washington's location makes it a gateway for land, sea, and air travel to Alaska and Pacific Rim countries. Ships from all parts of the world dock at Washington ports. Costco Wholesale Corporation, headquartered in Issaquah, operates an international chain of membership warehouses. Microsoft, a global leader in the computer software industry, makes its home in Redmond. Major internet retailer, Amazon.com, and worldwide renowned coffee company, Starbucks, are both headquartered in Seattle. The Weyerhaeuser Company, a major producer of wood and related products, is headquartered in Federal Way.

East of the Cascade Mountain range, farmers raise livestock and grow a variety of crops such as wheat, potatoes, and tree fruits. Washington leads the nation in apple and hops production, makes world-class wine, and produces large amounts of lumber, pulp, paper, and other wood products. Western Washington's mild, moist climate makes that region excellent for dairy farming and the production of flower bulbs.

GOVERNMENTAL STRUCTURE

As established in the State Constitution, Washington State has Executive, Legislative, and Judicial branches of government. The Executive Branch has nine elected officials: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, and Commissioner of Public Lands. Thirty-nine agency heads are appointed by, and report to, the Governor. Seventy-eight agency heads report to boards appointed, in whole or in part, by the Governor. The Legislative Branch consists of the Senate (with forty-nine members) and the House of Representatives (with ninety-eight members). The Judicial Branch consists of the State Supreme Court, the highest court in the state, which has nine Justices. Every two years, three Justices are elected for six-year terms. A Chief Justice is chosen from among the most senior Justices. The Judicial Branch also includes the state's superior courts, justices of the peace, and such inferior courts as the Legislature may provide.

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

The state provides a wide range of services that include education, transportation, environment and natural resource protection, and social and health services.

The accompanying report includes all funds and subsidiary accounts of the primary government, Washington State as legally defined, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable or ones that have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statements No. 14 and No. 61. Note 1.A to the financial statements explains more fully component units that are included in the reporting entity.

THE BUDGET CYCLE

Washington enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact

annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.

Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency and project level. The legal level of budgetary control is at the fund/account, agency and appropriation level, with administrative controls established at lower levels of detail in certain instances.

Washington State's Economy and Revenue Outlook

Washington's economy has been a step ahead of the nation's during this period of recovery. Recent economic performance has narrowed that gap, but Washington should still maintain an advantage during the next biennium.

Washington's jobless rate remained lower than the national rate for much of the past two years. This was unusual: Washington's rate has traditionally been above the national norm due to the state's outsized share of seasonal industries. More recent figures show Washington's jobless rate edging above the national average, likely the result of an increase in workforce participation. In fundamental ways, that is good news as it reflects an increase in workers' confidence in finding gainful employment. By the end of the next biennium, Washington's unemployment rate is projected to fall to 5.2 percent, down from the current 5.3 percent.

Personal income in Washington is expected to make above-average gains over the next biennium. Real personal income should gain 3.9 percent in fiscal year 2016 and 3.6 percent in fiscal year 2017, slightly higher than projections for the nation. On a per-capita basis, Washington's real personal income should reach $49,017 at the end of the biennium, more than $3,500 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding declines in aerospace employment, which is expected to fall by 2.9 percent in fiscal year 2016 and 2.6 percent in fiscal year 2017. Though this places a drag on overall nonfarm employment growth, Washington will still net a 2.4 percent increase in total payroll jobs in fiscal year 2016 and a 1.6 percent increase in fiscal year 2017, again slightly better than projections for the nation.

Construction activity in Washington is expected to increase at a healthy rate during the 2015–17 biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains should renew demand for single-family housing. Building permits should surpass 36,900 in fiscal year 2016 and 41,200 in fiscal year 2017. As a result, construction employment should jump by 4.8 percent and 3.0 percent, respectively. That should boost construction jobs to 5.5 percent of total nonfarm employment, close to historic averages and reflective of a sound housing market.

General Fund-State revenues are forecasted to grow at a 10.2 percent rate across the 2015-17 biennium compared to the 9.8 percent gain in the 2013-15 biennium. The expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

Major Initiatives

Heading into the 2015–17 budget cycle, Washington Governor Jay Inslee and the Legislature faced enormous fiscal challenges.

After more than a half decade of cutting vital services, the Governor argued that it was time to start reinvesting in Washington. After spending a record 176 days in session — including three special sessions — the Legislature approved historic spending increases on several fronts.

The state's 2015–17 operating budget includes an additional $1.3 billion to meet the state's K-12 basic education obligation; makes another large investment in early learning; cuts tuition and expands financial aid for students at public colleges and universities; adds child protective and child welfare service workers; and makes important investments in mental health services.

The Legislature approved a $16 billion transportation investment package to address critical statewide maintenance and safety needs, relieve congestion, and improve freight mobility. Lawmakers also approved a $3.9 billion capital budget that will support 21,000 jobs and that includes more than $800 million for school construction and K-3 class-size reduction.

EDUCATION

Under the state Supreme Court's 2012 McCleary v. State of Washington decision, the state is under court order to meet its constitutional obligation to adequately fund basic education. The state made progress in the 2013–15 budget toward meeting this obligation, but not enough progress to satisfy the court. In September 2014, the court found the state in contempt for failing to produce a long-term basic education funding plan, and threatened sanctions if such a plan was not in place by the end of the 2015 legislative session.

To continue meeting the state's obligations under the McCleary decision, the Governor and the Legislature increased funding for basic education by about $1.3 billion for the 2015–17 biennium. The state's two-year budget:

- Increased funding to school districts for materials, supplies and operating costs by $741 million.
- Added $350 million to reduce class sizes in kindergarten through third grade, which will then add an estimated 5,000 teachers statewide.
- Included $180 million to fund full-day kindergarten for all students — offering 1,000 hours of instruction a year — one year ahead of schedule. In the 2014-15 school year, fewer than half the state's kindergartners participate in a state-funded, full-day program.

In July 2015, shortly after the legislative session concluded, the Legislature submitted a progress report to the court. But, again, the court was not satisfied and on August 13, 2015, it imposed penalties totaling $100,000 per day until the Legislature adopts a complete plan for complying with the state's constitutional obligation.

The 2015–17 biennial budget also invests $95 million in early learning, including $24 million to add 1,600 new spaces in the Early Childhood Education and Assistance Program, the state's preschool program for children from low-income families.

In addition, the budget includes $169 million to shrink tuition at the state's colleges and universities. Tuition rates for the public colleges and universities have steadily increased since the early 1990s, spiking sharply from 2009 to 2013, the result of the state's effort to balance the budget during the Great Recession.

Tuition for resident undergraduate students at the public baccalaureate colleges and community and technical colleges is cut by 5 percent in the first year of the biennium. In the second year, tuition is reduced by an additional 10 percent at the research institutions, reduced 15 percent at the regional universities, and frozen at the community and technical colleges.

HEALTH CARE

Access to health care has increased dramatically in Washington since the 2010 passage of the federal Patient Protection and Affordable Care Act (ACA), which gave Washingtonians the unprecedented opportunity to choose affordable, high-quality health insurance coverage. More than 170,000 people have been enrolled for private insurance through the state's health insurance exchange, the Washington Healthplanfinder. Washington also opted to expand its Medicaid program under the ACA, providing coverage to more than 534,000 newly eligible adults. As a result, during a six-month span, the percentage of Washington residents without health insurance fell from 16 percent to 6 percent.

Besides improving access to health care, the state has undertaken a number of initiatives to drive down costs and improve the health of its citizens.

For example, the state's Plan for a Healthier Washington will transform health care so people experience better health during their lives by receiving better care when they need it and finding care that is more affordable and accessible. As part of this effort, the state is integrating mental health and substance abuse treatment with primary medical care. And, under legislation passed in 2014, the state is implementing an all-payer claims database that will significantly improve the transparency of health care costs and quality, which will help purchasers and patients make more informed health care choices.

The Governor also launched his Healthiest Next Generation initiative, a public-private partnership that will develop strategies to ensure healthy weight in children through such actions as promoting breastfeeding, supporting child care providers and schools by providing more nutritious meal and drink options, and encouraging children to be more active. The initiative also supports youth substance use prevention and education efforts such as regulating e-cigarettes.

The Governor convened an Aging Summit to help the state prepare for the needs of an aging population. The summit generated a number of policy recommendations, such as the need for key investments in long-term care and nursing homes. The summit also resulted in a joint legislative and executive branch committee, as well as legislation to implement the Community First Choice Option and to develop an Alzheimer's Disease Plan for Washington State.

TRANSPORTATION

The Governor and the Legislature this year adopted the largest transportation revenue package in state history to provide jobs, safety and critically needed traffic relief. It's estimated that this $16 billion state investment, coupled with its $15 billion authorization for Sound Transit light rail expansion, will support more than 200,000 family-wage jobs across our state. More than $1.4 billion is provided for maintenance, operations and preservation to fix bridges and promote safety. And $1 billion is earmarked for clean transportation elements that help relieve traffic congestion and reduce emissions, including bicycle and pedestrian projects, vanpools, fish culverts and transit. Further funding is provided for important road projects; ferry operations, vessels and terminals; freight and rail projects; the Washington State Patrol; and local transportation improvements. The package also provides incentives for electric vehicle sales, use of alternative fuels in commercial vehicles and commute trip reduction credits.

RESULTS WASHINGTON

Washington is fast becoming a national leader in adapting proven private-sector principles to state government. Governor Inslee's innovative Results Washington initiative, launched in 2013, brings together multi-agency teams around dozens of complex goals in education, the economy, the environment, health and safety and effective government. By focusing on measurable results, enterprise-wide strategies and grassroots innovation, state government and its partners are building a healthier, better-educated and more prosperous Washington.

Lean is a management philosophy that has proven highly effective at driving customer-focused improvements in health care, aerospace, retail and other industry sectors. Lean principles are increasingly being put to use in the public sector. Lean stresses cycles of continuous improvement led by front-line staff closest to the work. Problem solving and solutions using Lean principles address root causes, rather than treatment of symptoms.

A key tenet of this effort is transparency and accountability. Governor Inslee meets monthly with teams of state agency directors to discuss progress, challenges and next steps. These meetings are streamed live over the Internet and posted online. Goals, improvement strategies and metrics are also posted online at www.results.wa.gov.

ENVIRONMENT AND ENERGY

Governor Inslee continues to engage lawmakers in a bipartisan discussion on how to tackle the issue of carbon pollution, a cornerstone of his agenda. In April 2014, he signed Executive Order 14-04 – "Washington Carbon Pollution Reduction and Clean Energy Action."

A key component of the executive order was the creation of the Carbon Emission Reduction Taskforce (CERT) to give recommendations on the design and implementation of a carbon emission limits and market mechanisms program for Washington. The CERT completed its work in November 2014.

Governor Inslee introduced legislation in January 2015 that would have established a carbon market (cap and trade) program. Program revenue would have helped pay for education and transportation programs as well as to mitigate potential impacts to low-income communities and energy-intensive businesses. This legislation received several hearings but ultimately did not pass in the Legislature.

At the urging of the Governor, the budget included $40.4 million for programs to support research institutions, utilities and businesses as they develop, demonstrate and deploy new renewable, clean-energy and energy-efficiency programs. The sum of $25 million was provided for grants to state agencies, school districts, universities and local governments to improve the energy efficiency of public facilities and street lighting, and to install solar energy systems to cut energy demand and costs.

Washington is experiencing rapid changes in how crude oil is moving through rail corridors and over its waters, which creates rising safety and environmental risks. As petroleum shipments from Alaska decline, transport of crude oil from the Bakken region via rail is increasing. To address these risks, Governor Inslee introduced legislation (House Bill 1449), later signed into law, that expands the state oil spill tax to oil transported by rail. The law also strengthens oil spill contingency planning requirements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Washington State has received a Certificate of Achievement for the past 28 years. The Office of Financial Management considers this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each state agency and the Office of Financial Management. This CAFR reflects the Governor's commitment to the Legislature, the citizens of Washington State, and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

David Schumacher
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Statewide Elected Officials

As of June 30, 2015

Governor
Jay Inslee

Lieutenant Governor
Brad Owen

Secretary of State
Kim Wyman

Treasurer
Jim McIntire

Acting State Auditor
Jan Jutte

Attorney General
Bob Ferguson

Superintendent of Public Instruction
Randy Dorn

Commissioner of Public Lands
Peter J. Goldmark

Insurance Commissioner
Mike Kreidler

2015 Organization Chart

Washington State Government

Legislative Branch

Senate and House of Representatives

- Joint Legislative Audit & Review Committee
- Joint Legislative Systems Committee
- Joint Transportation Committee
- Legislative Ethics Board
- Office of Legislative Support Services
- Legislative Evaluation & Accountability Program (LEAP) Committee
- Office of the State Actuary
- Redistricting Commission *(activated decennially)*
- Statute Law Committee *(Code Reviser's Office)*

Executive Branch

Judicial Branch

Supreme Court

- Administrative Office of the Courts
- Office of Civil Legal Aid
- Court of Appeals
- Commission on Judicial Conduct
- District Courts
- Law Library
- Municipal Courts
- Office of Public Defense
- Superior Courts

Agencies Managed by Statewide Elected Officials

Commissioner of Public Lands
- *Dept. of Natural Resources*
- *- Board of Natural Resources*
- *- Forest Practices Board*

Insurance Commissioner

Treasurer
- *Public Deposit Protection Commission*
- *State Finance Committee*

Lieutenant Governor

Governor

Office of the Governor
- *Office for Regulatory Innovation & Assistance*
- *Results Washington*
- *Office of the Education Ombuds*
- *Office of the Family & Children's Ombuds*

Attorney General
- *Executive Ethics Board*

Superintendent of Public Instruction
- *Board of Education*
- *Professional Educator Standards Board*

Auditor

Secretary of State
- *Productivity Board*
- *State Library*

Agencies Led by Governor-Appointed Executives

Environment and Natural Resources
- Dept. of Agriculture *(commodity commissions)*
- Dept. of Ecology
- Pollution Liability Insurance Program
- Puget Sound Partnership
- Recreation and Conservation Office

General Government
- Board of Accountancy
- Office of Administrative Hearings
- Dept. of Archaeology and Historic Preservation
- Consolidated Technology Services (WaTech)
  - *Technology Services Board*
- Dept. of Enterprise Services
  - *Building Code Council*
- Dept. of Financial Institutions
- Office of Financial Management
  - *Personnel Resources Board*
  - *Sentencing Guidelines Comm.*
  - *Washington Commission on National and Community Service*
  - Governor's Office of Indian Affairs
- State Lottery
- Military Department
- Dept. of Retirement Systems
- Dept. of Revenue

Transportation
- Dept. of Licensing *(occupational regulatory boards)*
- State Patrol
- Traffic Safety Comm.
- Dept. of Transportation

Health and Human Services
- Dept. of Corrections
  - *Indeterminate Sentence Review Board*
- Employment Security Dept.
  - *Governor's Committee on Disability Issues and Employment*
- Dept. of Health
  - *Board of Health (occupational regulatory boards)*
- Health Care Authority
  - *Public Employees Benefits Board*
- Dept. of Labor and Industries
- Dept. of Services for the Blind
- Dept. of Social and Health Services
- Dept. of Veterans Affairs

Education
- Center for Childhood Deafness and Hearing Loss
  - *Board of Trustees*
- Dept. of Early Learning
- School for the Blind
- Workforce Training and Education Coordinating Board

Community and Economic Development
- Commission on African-American Affairs
- Arts Commission
- Commission on Asian Pacific American Affairs
- Dept. of Commerce
  - *Community Economic Revitalization Board*
  - *Developmental Disabilities Council*
  - *Public Works Board*
- Commission on Hispanic Affairs
- Office of Minority and Women's Business Enterprises

Agencies Under Authority of a Board, Council, or Commission

Environment and Natural Resources
- Columbia River Gorge Commission
- Conservation Commission
- Environmental and Land Use Hearings Office
  - *Growth Management Hearings Board*
  - *Pollution Control Hearings Board*
  - *Shorelines Hearings Board*
- Dept. of Fish and Wildlife
  - *Fish and Wildlife Commission*
- Parks and Recreation Commission
- Washington Materials Management and Financing Authority

General Government
- Caseload Forecast Council
- Citizens' Commission on Salaries for Elected Officials
- Economic and Revenue Forecast Council
- Forensic Investigations Council
- Gambling Commission
- Horse Racing Commission
- Investment Board
- Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
- Liquor and Cannabis Board
- Public Disclosure Commission
- Public Employment Relations Commission
- Board of Tax Appeals
- Utilities and Transportation Commission
  - *Energy Facility Site Evaluation Council*
- Board of Volunteer Firefighters and Reserve Officers

Transportation
- County Road Administration Board
- Freight Mobility Strategic Investment Board
- Board of Pilotage Commissioners
- Transportation Improvement Board
- Transportation Commission

Health and Human Services
- Criminal Justice Training Commission
- Health Care Facilities Authority
- Human Rights Commission
- Board of Industrial Insurance Appeals
- Tobacco Settlement Authority

Education
- Charter School Commission
- State Board for Community and Technical Colleges
  - *Boards of Trustees for 34 community and technical colleges*
- Governing Boards of Four-Year Institutions of Higher Education:
  - *Central Washington University*
  - *Eastern Washington University*
  - *The Evergreen State College*
  - *University of Washington*
  - *Washington State University*
  - *Western Washington University*
- Washington Student Achievement Council
- Eastern Washington State Historical Society
- Washington State Historical Society
- Higher Education Facilities Authority

Community and Economic Development
- Economic Development Finance Authority
- Housing Finance Commission
- Life Sciences Discovery Fund Authority

PREPARED BY OFFICE OF FINANCIAL MANAGEMENT JULY 2015

FINANCIAL SECTION

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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

October 30, 2015

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.6%	26.1%	8.3%
Business-Type Activities	75.0%	100.0%	28.8%
Higher Education Special Revenue Fund	55.5%	57.7%	51.5%
Higher Education Endowment Fund	96.7%	96.7%	100.0%
Higher Education Student Services Fund	77.0%	92.3%	84.6%
Workers' Compensation Fund	94.7%	100.0%	8.2%
Guaranteed Education Tuition Program Fund	88.8%	100.0%	28.3%
Aggregate Discretely Presented Component Units and Remaining Fund Information	92.6%	94.4%	64.3%

Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities and funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $32.06 billion, which comprise 28.2 percent of total assets and 30.6 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion was not modified with respect to this matter.

As described in Note 2, during the year ended June 30, 2015, the State has implemented the Governmental Accounting Standards Board *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and information, pension plan information, other postemployment benefits information and infrastructure assets reported using the modified approach be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying information listed as combining financial statements and individual fund schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated October 30, 2015, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

MD&A
Management's Discussion and Analysis

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MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by $20.60 billion (reported as net position). Of this amount, $(12.89) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $14.70 billion, an increase of 2.4 percent compared with the prior year as restated.

- The state implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for fiscal year 2015 financial reporting which resulted in a decrease in the beginning balance of net position of $3.04 billion in Governmental Activities and a decrease of $474.2 million for Business-Type Activities.

- The state's capital assets increased by $1.39 billion, total bond debt increased by $670.1 million, and the state's net investment in capital assets is $20.93 billion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the state of Washington's finances, in a manner similar to a private sector business.

Statement of Net Position. The *Statement of Net Position* presents information on all of the state of Washington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

Statement of Activities. The *Statement of Activities* presents information showing how the state's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type, and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections, and general government.

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, as well as Washington's lottery, the Guaranteed Education Tuition Program (GET), and various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 36-39 of this report.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 42-45 of this report.

Proprietary Funds. The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool, central stores, data processing services, risk management, employee health insurance, and printing services. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for the Workers' Compensation Fund, Unemployment Compensation Fund, the Higher Education Student Services Fund, and the Guaranteed Education Tuition Program Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 46-55 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 56-57 of this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state, or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports four major component units, the Valley Medical Center, Northwest Hospital, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 67-68 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 58-63 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 65-164 of this report.

OTHER INFORMATION

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 167-190 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining financial statements and individual fund schedules can be found on pages 193-257 of this report.

STATE OF WASHINGTON
Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	$ 23,812	$ 21,468	$ 24,557	$ 24,394	$ 48,369	$ 45,862
Capital assets	37,783	36,375	2,925	2,850	40,708	39,225
Total assets	61,595	57,843	27,482	27,244	89,077	85,087
DEFERRED OUTFLOWS OF RESOURCES	481	-	83	15	564	15
LIABILITIES						
Current and other liabilities	5,339	5,043	1,035	1,190	6,374	6,233
Long-term liabilities outstanding	30,459	25,994	30,104	29,947	60,563	55,941
Total liabilities	35,798	31,037	31,139	31,137	66,937	62,174
DEFERRED INFLOWS OF RESOURCES	1,944	2	158	-	2,102	2
NET POSITION						
Net investment in capital assets	19,958	19,816	973	625	20,931	20,441
Restricted	8,320	6,589	4,240	3,815	12,560	10,404
Unrestricted	(3,944)	399	(8,945)	(8,318)	(12,889)	(7,919)
Total net position	$ 24,334	$ 26,804	$ (3,732)	$ (3,878)	$ 20,602	$ 22,926

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $20.60 billion at June 30, 2015, as compared to $22.93 billion as reported at June 30, 2014.

The largest portion of the state's net position (101.6 percent for fiscal year 2015 as compared to 89.2 percent for fiscal year 2014) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets), less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net position (61.0 percent for fiscal year 2015 as compared to 45.4 percent for fiscal year 2014) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(12.89) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is largely due to deficits in business-type activities.

In governmental activities, net position decreased from $26.80 billion in fiscal year 2014 to $24.33 billion in fiscal year 2015. Beginning balance adjustments accounted for $2.14 billion of the decrease in net position. These include the implementation of GASB Statement No. 68 and offsetting adjustments to correct prior accounting practices. The remaining decrease of $327.9 million reflects increases in expenses that outpaced the increases in revenues.

In business-type activities, the deficit is caused by the workers' compensation program that provides time-loss, medical, disability, and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities.

The main benefit plans of the workers' compensation program are funded on rates that will keep the plans solvent in accordance with recognized actuarial principles. The supplemental pension cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while business-type activities are supported primarily through user charges.

STATE OF WASHINGTON

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	$ 5,985	$ 5,850	$ 6,631	$ 6,416	$ 12,616	$ 12,266
Operating grants and contributions	15,158	13,240	77	326	15,235	13,566
Capital grants and contributions	867	1,066	-	-	867	1,066
General revenues:						
Taxes	18,132	17,849	20	22	18,152	17,871
Interest and investment earnings (loss)	307	621	377	1,618	684	2,239
Total revenues	40,449	38,626	7,105	8,382	47,554	47,008
EXPENSES						
General government	(1,987)	(1,607)	-	-	(1,987)	(1,607)
Education - K-12	(9,426)	(8,914)	-	-	(9,426)	(8,914)
Education - Higher education	(7,095)	(6,910)	-	-	(7,095)	(6,910)
Human services	(16,890)	(15,052)	-	-	(16,890)	(15,052)
Adult corrections	(956)	(911)	-	-	(956)	(911)
Natural resources and recreation	(1,335)	(1,137)	-	-	(1,335)	(1,137)
Transportation	(2,309)	(2,400)	-	-	(2,309)	(2,400)
Interest on long-term debt	(981)	(938)	-	-	(981)	(938)
Workers' compensation	-	-	(3,018)	(3,142)	(3,018)	(3,142)
Unemployment compensation	-	-	(968)	(1,380)	(968)	(1,380)
Higher education student services	-	-	(2,314)	(2,080)	(2,314)	(2,080)
Washington's lottery	-	-	(466)	(463)	(466)	(463)
Guaranteed education tuition program	-	-	585	(185)	585	(185)
Other business-type activities	-	-	(158)	(133)	(158)	(133)
Total expenses	(40,979)	(37,869)	(6,339)	(7,383)	(47,318)	(45,252)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	(530)	757	766	999	236	1,756
Contributions to endowments	66	66	-	-	66	66
Transfers	136	94	(136)	(94)	-	-
Increase (decrease) in net position	(328)	917	630	905	302	1,822
Net position - July 1, as restated	24,662	25,887	(4,362)	(4,783)	20,300	21,104
Net position - June 30	$ 24,334	$ 26,804	$ (3,732)	$ (3,878)	$ 20,602	$ 22,926

Governmental Activities. Governmental activities resulted in a decrease in the state of Washington's net position of $327.9 million. A number of factors were in play including increases in both spending on K-12 education and tax revenues.

- Expenses grew by $511.9 million for K-12 education in 2015 as compared to fiscal year 2014. The state is working to meet the requirements of the state Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

- Tax revenues increased by $282.7 million in fiscal year 2015 as compared to fiscal year 2014 reflecting positive growth in the economy. Sales and use taxes reported an increase of $636.1 million. Sales and use taxes are the main tax revenue for governmental activities. Real estate excise tax revenue increased by $209.9 million. Real estate excise taxes are levied on the sale of real estate. These tax revenue increases reflect the rebounding economy, recovering housing markets, and improving employment picture in Washington.

- Sales of recreational marijuana generated $64.9 million in new excise tax in 2015.

- Tuition and fee revenues at higher education institutions held steady in fiscal year 2015 compared with fiscal year 2014.

- Operating grants and contributions grew by $1.92 billion in fiscal year 2015 compared with 2014 and was matched with an increase in human services expenses. The increases in both grant revenue and human services expenditures are largely due to the state expansion of its Medicaid program under the Affordable Care Act providing coverage to 534,000 newly eligible adults.

Business-Type Activities. Business-type activities increased the state of Washington's net position by $629.6 million. Workers' compensation, unemployment compensation, and guaranteed education tuition activities contributed to the increase. Key factors contributing to the operating results of business-type activities are:

- The workers' compensation activity decrease in net position in fiscal year 2015 was $400.9 million compared to an increase of $240.4 million in fiscal year 2014. Premium revenue increased by $137.1 million as a result of an increase in the number of hours reported by employers, a mid-year premium rate increase, and an increase in the number of hours reported by businesses in higher rate classes. Claim costs decreased by $144.2 million in fiscal year 2015 compared with fiscal year 2014 reflecting a reduction in the number of time-loss claims. Nonoperating investment income decreased by $902.6 million due predominately to a net decrease in realized and unrealized gains on debt securities. The workers' compensation portfolio is 86.1 percent debt securities.

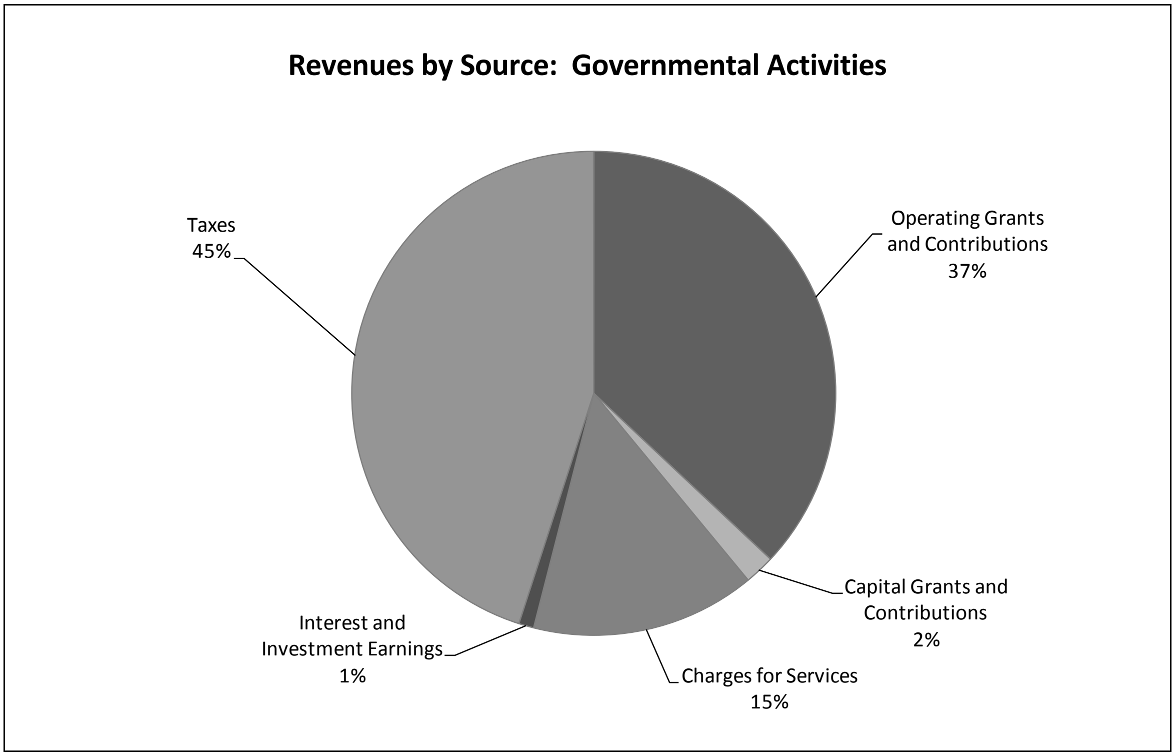
- The unemployment compensation activity reported an operating income in fiscal year 2015 of $344.9 million, compared to $272.6 million in fiscal year 2014. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff experience over the past four years. The economic recovery in the state has stabilized employment and resulted in a decline in unemployment insurance benefits of $411.7 million in fiscal year 2015 over fiscal year 2014. The decrease in benefit costs was the result of a decline in both the number of claims and the duration of the claims. The unemployment rate for the state for June 2015 was 5.3 percent, down from 5.4 percent in June 2014, and the insured rate declined to 1.5 percent in fiscal year 2015 from 1.8 percent in fiscal year 2014. The state's unemployment insurance premiums are experience based and the unemployment rate is declining, which resulted in premium revenue decreasing by 6.8 percent. The $247.0 million decline in federal aid also reflects the decrease in the unemployment rate.

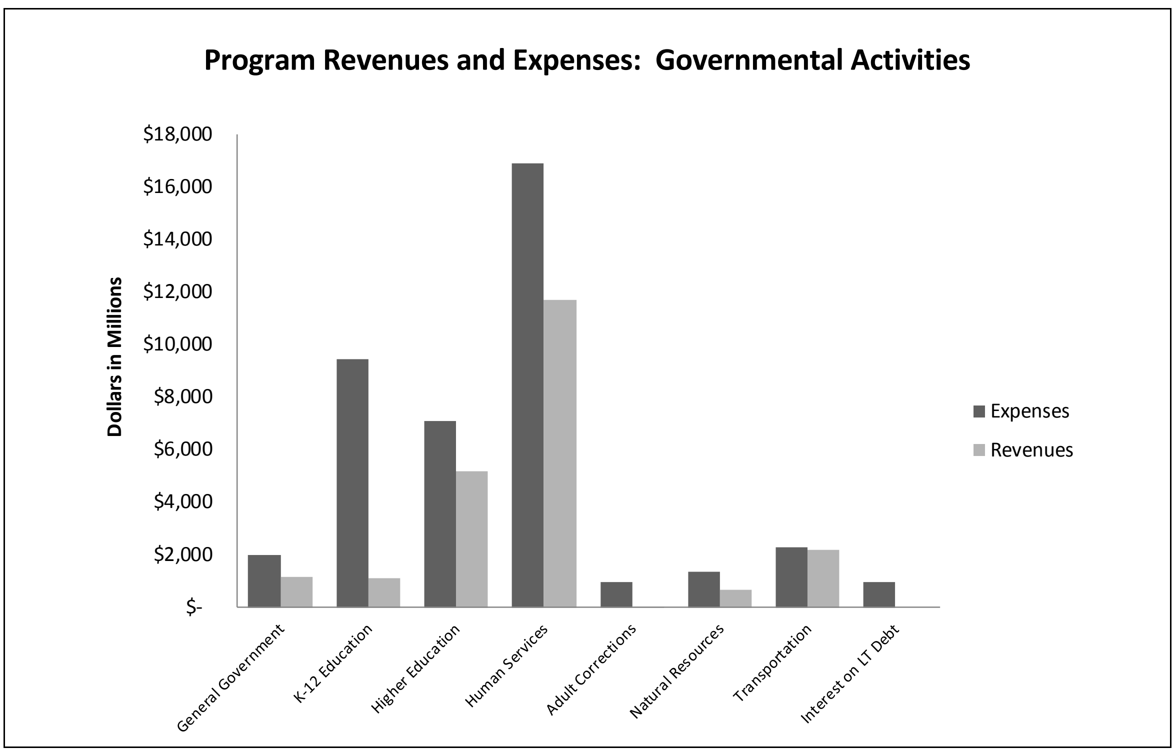
- The Guaranteed Education Tuition (GET) Program reported an increase in net position of $658.7 million increasing its funded status to 140.1 percent, up from 105.8 percent the previous year, in spite of the fact that the number of tuition units sold dropped for the fourth straight year and investment returns were down.

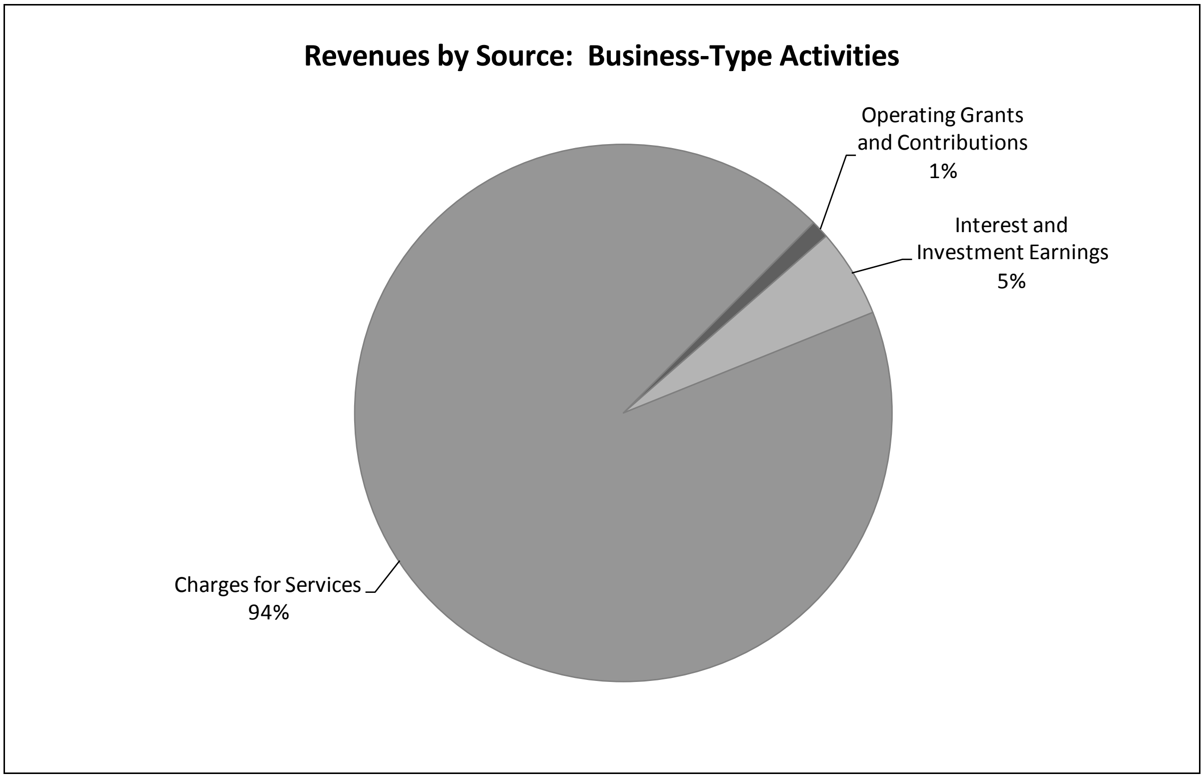
  Investment returns declined to 0.8 percent in fiscal year 2015 compared to 16.4 percent in fiscal year 2014. The GET investment portfolio was rebalanced during fiscal year 2015 to diversify the portfolio across various investment types as well as broadly within asset classes in order to reduce the aggregate volatility of the total portfolio.

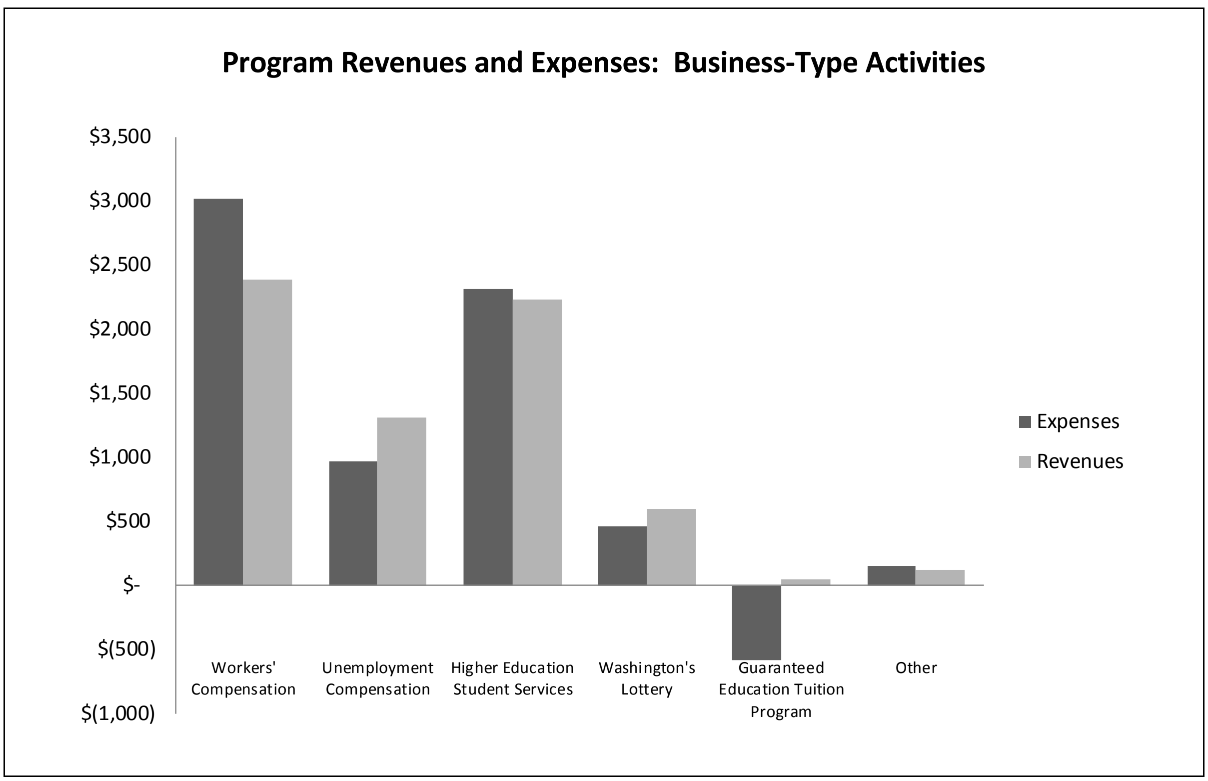
  While current year investment returns were down, the actuarial valuation of the obligation for future tuition benefits assumed a higher rate of investment return based on a recent experience study. The valuation also assumed a lower rate of tuition growth in response to recently enacted legislation. Overall the tuition benefit obligation decreased by 29.8 percent.

- The remaining business-type activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.


Revenues by Source: Governmental Activities
Taxes
45%
Operating Grants
and Contributions
37%
Capital Grants and
Contributions
2%
Charges for Services
15%
Interest and
Investment Earnings
1%


Program Revenues and Expenses: Governmental Activities
Dollars in Millions
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 1%
Interest and Investment Earnings 5%
Charges for Services 94%


Program Revenues and Expenses: Business-Type Activities
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$-
$(500)
$(1,000)
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Washington's Lottery
Guaranteed Education Tuition Program
Other
Expenses
Revenues

Financial Analysis of the State's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and fund balances. Such information is useful in assessing the state of Washington's financing requirements.

Adjustments to Beginning Fund Balances. As described in Note 2 to the financial statements on pages 79 and 80, beginning fund balances of governmental funds were adjusted to correct prior period activity.

Fund Balances. At June 30, 2015, the state's governmental funds reported combined ending fund balances of $14.70 billion. Of this amount, $2.53 billion or 17.3 percent is nonspendable, either due to its form or legal constraints, and $4.37 billion or 29.7 percent is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $5.97 billion or 40.6 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $1.03 billion or 7.0 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. As noted in the table below, fund balance improved as a result of operations by $854.3 million in fiscal year 2015, as compared to a $443.5 million gain in fiscal year 2014. Increased revenues from taxes and federal grants-in-aid and targeted spending increases in K-12 education and social and health services combined with a concerted effort to hold the line on other spending were the key contributing factors. Assigned fund balance of $1.01 billion is reported for fiscal year 2015 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON

General Fund

(in millions of dollars)

	Fiscal Year		Difference
	2015	2014	Increase (Decrease)
REVENUES			
Taxes	$ 17,025	$ 16,008	$ 1,017
Federal grants	12,053	10,226	1,827
Investment revenue (loss)	8	7	1
Other	698	614	84
Total	29,784	26,855	2,929
EXPENDITURES			
Human services	16,794	14,920	1,874
Education	10,177	9,754	423
Other	1,505	1,460	45
Total	28,476	26,134	2,342
Net transfers in (out)	(653)	(447)	(206)
Other financing sources	199	170	29
Net increase (decrease) in fund balance	$ 854	$ 444	$ 410

General Fund expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education.

In addition to the General Fund, the state reports the Higher Education Special Revenue and the Higher Education Endowment Funds as major governmental funds. Significant changes are as follows:

- The change in net position of the Higher Education Special Revenue Fund in fiscal year 2015 was $126.1 million compared to $140.6 million in fiscal year 2014. The decline in fiscal year 2015 was largely due to a 6.8 percent increase in expenditures outpacing revenue growth. Revenues showed only a slight gain of 2.7 percent reflecting the state's decision to hold tuition steady.

- The fund balance for the Higher Education Endowment Fund increased by $80.8 million in fiscal year 2015. Fiscal year 2015 reported a decrease of $283.6 million in investment earnings due to a downturn in the market.

Proprietary Funds. The state of Washington's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Significant changes are as follows:

- The Workers' Compensation Fund reported a decrease in net position of $400.9 million in fiscal year 2015. Operating revenues increased by $138.1 million and operating expenses decreased by $123.5 million as compared to fiscal year 2014. As previously reported, operating revenues increased due to an increase in reported hours in higher rate classes and claims expense decreased due to a reduction in the number of time-loss claims. Investment income decreased $902.6 million over fiscal year 2014 due to a decrease in net realized and unrealized capital gains.

- Washington's Unemployment Compensation Fund reported an increase in net position of $425.4 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense decreased by $411.7 million in fiscal year 2015 as compared to 2014 and federal aid decreased by $247.0 million over the same period. The decreases in both benefit claims and federal aid are consistent with the decline in the state's unemployment rate.

- The Guaranteed Education Tuition (GET) Program Fund reported an increase in net position of $658.7 million in fiscal year 2015. As previously reported, the increase is due primarily to a reduction in the assumed rate of tuition growth and a higher assumed rate of investment return.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported activity fairly consistent with the prior year.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect increases in mandatory costs driven by rising caseloads and school enrollment as well as other high priority needs. Changes to estimates are summarized as follows:

- Estimated biennial resources increased by $2.63 billion over the course of the biennium. The major increase in estimated resources is reported in federal grants-in-aid reflecting the state expansion of its Medicaid program under the Affordable Care Act.

- Appropriated expenditure authority increased by $1.97 billion over the biennium to address increases in mandatory and high priority programs. The major increases in appropriation authority were in human services. The availability of additional federal funding allowed the state to provide coverage to more than 534,000 newly eligible adults under the Affordable Care Act.

The state did not overspend its legal spending authority for the 2013-15 biennium. Actual General Fund revenues and expenditures were 97.8 and 97.0 percent of final budgeted resources and appropriations, respectively, for the 2013-15 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totaled $40.71 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2015 investment in capital assets, net of current year depreciation, increased $1.39 billion over fiscal year 2014, including increases to the state's transportation infrastructure of $818.2 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total $2.42 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 110 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,732 lane miles of pavement, 3,288 bridges, and 48 highway safety rest areas. Infrastructure asset categories are assessed on a two year cycle, either on a calendar year or fiscal year basis.

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	**2014***	**2015**	**2014**	**2015**	**2014**
Land	$ 2,625	$ 2,571	$ 58	$ 61	$ 2,683	$ 2,632
Transportation infrastructure and other assets not depreciated	23,376	22,554	5	5	23,381	22,559
Buildings	7,826	7,702	2,312	2,410	10,138	10,112
Furnishings, equipment, and intangible assets	1,829	1,513	183	189	2,012	1,702
Other improvements and infrastructure	1,236	1,223	75	81	1,311	1,304
Construction in progress	891	906	293	104	1,184	1,010
Total	$ 37,783	$ 36,469	$ 2,926	$ 2,850	$ 40,709	$ 39,319

* Prior year balances restated for comparability

The state's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 187.

The most recent pavements condition assessment indicates that 92.8 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 92.2 percent in fair or better condition. For fiscal year 2015, actual maintenance and preservation expenditures were 17.8 percent lower than planned, and over the past five fiscal years, the actual expenditures were 6.2 percent lower than planned.

The most recent bridge condition assessment indicates that 92.1 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 93 percent in good or fair condition. For fiscal year 2015, the actual maintenance and preservation expenditures were 9.9 percent lower than planned, and over the past five fiscal years, the actual expenditures were 8.4 percent lower than planned.

Bond Debt. At the end of fiscal year 2015, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premuims of $19.87 billion, an increase of 2.4 percent from fiscal year 2014. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $5.61 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2015, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.5 percent of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2009 - 2014 is $14.79 billion. The debt service limitation, 8.5 percent of this mean, is $1.26 billion. The state's maximum annual debt service as of June 30, 2015, subject to the constitutional debt limitation is $1.13 billion, or $128.3 million less than the debt service limitation.

For further information on the debt limit, refer to the statistical section on page 282 of this report or the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cdl2015.pdf.

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness. The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairman.

As of June 30, 2015, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON
Bond Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014*	2015	2014
General obligation (GO) bonds	$ 19,396	$ 18,954	$ 4	$ 8	$ 19,400	$ 18,962
Accreted interest on zero interest rate GO bonds	472	416	-	-	472	416
Revenue bonds	2,316	2,021	1,991	2,109	4,307	4,130
Total	$ 22,184	$ 21,391	$ 1,995	$ 2,117	$ 24,179	$ 23,508

* Prior year balances restated for comparability

The state had revenue debt outstanding at June 30, 2015, of $4.31 billion, an increase of $177.1 million over fiscal year 2014. The increase is primarily related to grant anticipation revenue bonds issued by the Washington State Department of Transportation and revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling $3.19 billion were refunded during the year. Washington's refunding activity produced $449.4 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 114 of this report.

Conditions with Expected Future Impact

Economic Outlook. Washington is well positioned for economic and population expansion. The state has a diverse industrial and environmental base that supports trade with Pacific Rim countries as well as knowledge-based industries including information, health, business, and financial services.

Washington's expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

That said, in the coming year, legislative leaders and management will be facing a number of challenges including:

- The slowing Chinese economy, the negative impact of a stronger dollar on exports, and the volatility in the stock markets pose threats to the U.S. and Washington economies.

- Under legislation approved in 2012, and beginning with the 2013-15 biennium, Washington became the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four year period.

- The courts have also made it clear that in addressing budget shortfalls the past six years, the state sometimes went too far in cutting services, such as for at-risk children and individuals with mental illness. Washington continues to address the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made during the 2013-15 biennium, it was insufficient to satisfy the court.

General Election. There is a measure on the state's November 3, 2015, general election ballot that addresses state taxes. This measure would reduce the state retail sales tax by 1 percent unless the Legislature refers to voters a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes and legislative approval for fee increases. If passed, the measure could impact the state fiscally.

Election results are not final or official until certified. By law December 3, 2015, is the last day for the Office of the Secretary of State to certify General Election returns.
Information is posted as available on the Secretary of State's website at: http://www.sos.wa.gov.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the state's Constitution and establishing the Budget Stabilization Account (BSA). The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

On June 30, 2015, $211.9 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2015, by three-fifths vote of each house, the Legislature appropriated $77.2 million from the BSA solely for emergency fire service mobilization, fire suppression, and fire damage recovery costs. Additionally, the Legislature, also by three-fifths vote of each house, authorized the transfer from the BSA to the General Fund the amount attributable to extraordinary revenue growth, not to exceed $50.0 million. The BSA had a fund balance of $513.1 million as of June 30, 2015.

The Guaranteed Education Tuition (GET) Program. The funded status of the GET Program increased during fiscal year 2015 reflecting lower assumed tuition growth in response to Engrossed Second Substitute Bill (E2SSB) 5954 which was signed into law by the Governor on July 6, 2015. E2SSB 5954 reduces tuition at all public institutions of higher learning during the fiscal years 2016 and 2017 and limits tuition growth in future years. In response to E2SSB 5954, the GET Program Committee authorized refunds of approximately $75.0 million in amortization fees to account holders which was recognized as of June 30, 2015. The Committee also permitted account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater, without the usual penalties, fees, or waiting period. The full extent of E2SSB 5954's impact on the Program cannot reasonably be estimated as of the date of these financial statements.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2015

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	$ 6,208,919	$ 4,788,138	$ 10,997,057	$ 201,985
Taxes receivable (net of allowance for uncollectibles)	3,566,252	-	3,566,252	-
Other receivables (net of allowance for uncollectibles)	2,133,349	1,694,183	3,827,532	156,261
Internal balances	128,004	(128,004)	-	-
Due from other governments	3,870,500	118,451	3,988,951	-
Inventories and prepaids	110,639	60,884	171,523	23,632
Restricted cash and investments	375,987	7,613	383,600	5,770
Restricted receivables, current	22,094	3,172	25,266	-
Investments, noncurrent	5,768,557	17,602,903	23,371,460	151,347
Restricted investments, noncurrent	-	63,277	63,277	21,842
Restricted receivables, noncurrent	2,262	-	2,262	-
Restricted net pension asset	1,624,791	379	1,625,170	-
Other assets	-	345,082	345,082	137,739
Capital assets:				
Non-depreciable assets	26,892,627	354,954	27,247,581	71,321
Depreciable assets (net of accumulated depreciation)	10,890,596	2,570,573	13,461,169	720,039
Total capital assets	37,783,223	2,925,527	40,708,750	791,360
Total Assets	61,594,577	27,481,605	89,076,182	1,489,936
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	5,008	-	5,008	422
Deferred outflows on refundings	4,776	30,263	35,039	6,435
Deferred outflows on pensions	471,489	52,523	524,012	60
Total Deferred Outflows of Resources	481,273	82,786	564,059	6,917
Total Assets and Deferred Outflows of Resources	$ 62,075,850	$ 27,564,391	$ 89,640,241	$ 1,496,853

The notes to the financial statements are an integral part of this statement.

Statement of Net Position

June 30, 2015

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 1,386,564	$ 171,495	$ 1,558,059	$ 88,156
Contracts and retainage payable	186,343	26,406	212,749	-
Accrued liabilities	1,867,539	522,338	2,389,877	115,980
Obligations under security lending agreements	143,201	144,305	287,506	-
Due to other governments	1,333,526	108,986	1,442,512	-
Unearned revenues	422,226	62,105	484,331	13,622
Long-term liabilities:				
Due within one year	1,533,506	2,350,163	3,883,669	18,379
Due in more than one year	28,925,118	27,752,827	56,677,945	428,207
Total Liabilities	35,798,023	31,138,625	66,936,648	664,344
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	173	248	421	-
Deferred inflows on pensions	1,943,983	157,369	2,101,352	1,566
Total Deferred Inflows of Resources	1,944,156	157,617	2,101,773	1,566
NET POSITION				
Net investment in capital assets	19,957,567	972,671	20,930,238	378,736
Restricted for:				
Unemployment compensation	-	4,240,486	4,240,486	-
Nonexpendable permanent endowments	2,326,331	-	2,326,331	-
Expendable endowment funds	1,250,545	-	1,250,545	-
Pensions	1,624,791	379	1,625,170	-
Wildlife and natural resources	932,384	-	932,384	-
Transportation	725,319	-	725,319	-
Budget stabilization	513,079	-	513,079	-
Higher education	226,187	-	226,187	-
Capital projects	1,883	-	1,883	-
Other purposes	719,862	-	719,862	19,779
Unrestricted	(3,944,277)	(8,945,387)	(12,889,664)	432,428
Total Net Position	24,333,671	(3,731,851)	20,601,820	830,943
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 62,075,850	$ 27,564,391	$ 89,640,241	$ 1,496,853

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,986,904	$ 886,577	$ 249,961	$ 5,984
Education - elementary and secondary (K-12)	9,426,361	21,434	1,076,055	-
Education - higher education	7,094,929	2,815,368	2,318,744	28,204
Human services	16,889,699	659,425	11,052,429	-
Adult corrections	955,748	7,847	1,605	-
Natural resources and recreation	1,334,991	455,311	194,809	25,231
Transportation	2,308,967	1,139,177	264,028	807,353
Interest on long-term debt	980,630	-	-	-
Total Governmental Activities	40,978,229	5,985,139	15,157,631	866,772
Business-Type Activities:				
Workers' compensation	3,018,472	2,375,268	7,905	-
Unemployment compensation	968,381	1,256,593	56,669	-
Higher education student services	2,313,539	2,216,414	11,807	104
Washington's lottery	466,120	603,200	-	-
Guaranteed education tuition program	(584,590)	53,100	-	-
Other	156,569	125,977	343	-
Total Business-Type Activities	6,338,491	6,630,552	76,724	104
Total Primary Government	$ 47,316,720	$ 12,615,691	$ 15,234,355	$ 866,876
COMPONENT UNITS	$ 1,080,079	$ 944,899	$ 125,833	$ -
Total Component Units	$ 1,080,079	$ 944,899	$ 125,833	$ -

General Revenues:

Taxes, net of related credits:

Sales and use

Business and occupation

Property

Motor vehicle and fuel

Excise

Cigarette and tobacco

Public utilities

Insurance premium

Other

Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before contributions to endowments and transfers

Contributions to endowments

Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (844,382)	$ -	$ (844,382)	
(8,328,872)	-	(8,328,872)	
(1,932,613)	-	(1,932,613)	
(5,177,845)	-	(5,177,845)	
(946,296)	-	(946,296)	
(659,640)	-	(659,640)	
(98,409)	-	(98,409)	
(980,630)	-	(980,630)	
(18,968,687)	-	(18,968,687)	
-	(635,299)	(635,299)	
-	344,881	344,881	
-	(85,214)	(85,214)	
-	137,080	137,080	
-	637,690	637,690	
-	(30,249)	(30,249)	
-	368,889	368,889	
(18,968,687)	368,889	(18,599,798)	
			$ (9,347)
			(9,347)
9,000,790	-	9,000,790	-
3,393,679	-	3,393,679	-
2,018,393	-	2,018,393	18,132
1,253,179	-	1,253,179	-
926,550	19,847	946,397	-
474,183	-	474,183	-
455,112	-	455,112	-
555,976	-	555,976	-
54,483	-	54,483	-
306,705	377,238	683,943	5,257
18,439,050	397,085	18,836,135	23,389
(529,637)	765,974	236,337	14,042
65,419	-	65,419	-
136,364	(136,364)	-	-
(327,854)	629,610	301,756	14,042
24,661,525	(4,361,461)	20,300,064	816,901
$ 24,333,671	$ (3,731,851)	$ 20,601,820	$ 830,943

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2015
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and pooled investments	$ 1,669,615	$ 194,762	$ 476,023	$ 3,075,518	$ 5,415,918
Investments	34,736	1,810,135	3,677,830	248,107	5,770,808
Taxes receivable (net of allowance)	3,393,471	10,879	-	161,902	3,566,252
Other receivables (net of allowance)	174,954	1,047,060	45,952	845,160	2,113,126
Due from other funds	254,788	269,825	61	320,655	845,329
Due from other governments	1,028,195	248,541	-	2,459,842	3,736,578
Inventories and prepaids	13,644	15,122	-	52,748	81,514
Restricted cash and investments	51,362	1,207	-	240,786	293,355
Restricted receivables	509	4,780	-	5,385	10,674
Total Assets	6,621,274	3,602,311	4,199,866	7,410,103	21,833,554
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	-	-	-	5,008	5,008
Total Deferred Outflows of Resources	-	-	-	5,008	5,008
Total Assets and Deferred Outflows of Resources	$ 6,621,274	$ 3,602,311	$ 4,199,866	$ 7,415,111	$ 21,838,562
RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 807,023	$ 75,748	$ 34,074	$ 421,549	$ 1,338,394
Contracts and retainages payable	50,576	4,513	3,293	126,359	184,741
Accrued liabilities	241,105	417,117	673,370	77,309	1,408,901
Obligations under security lending agreements	77,442	829	225	58,053	136,549
Due to other funds	183,462	52,551	4,524	501,832	742,369
Due to other governments	993,345	11,103	-	208,793	1,213,241
Unearned revenue	142,414	202,079	-	75,167	419,660
Claims and judgments payable	29,303	-	-	58,070	87,373
Total Liabilities	2,524,670	763,940	715,486	1,527,132	5,531,228
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,431,185	9,631	17,962	150,554	1,609,332
Total Deferred Inflows of Resources	1,431,185	9,631	17,962	150,554	1,609,332
FUND BALANCES					
Nonspendable fund balance	47,353	46,258	2,194,618	246,697	2,534,926
Restricted fund balance	533,279	606	1,271,800	2,563,574	4,369,259
Committed fund balance	105,667	2,765,816	-	3,094,510	5,965,993
Assigned fund balance	1,014,952	16,060	-	-	1,031,012
Unassigned fund balance	964,168	-	-	(167,356)	796,812
Total Fund Balances	2,665,419	2,828,740	3,466,418	5,737,425	14,698,002
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,621,274	$ 3,602,311	$ 4,199,866	$ 7,415,111	$ 21,838,562

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet
to the Statement of Net Position
GOVERNMENTAL FUNDS

June 30, 2015

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 14,698,002
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 26,855,466	
Depreciable assets	18,957,753	
Less: Accumulated depreciation	(8,805,938)	
Total capital assets		37,007,281
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.		1,624,791
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		1,609,332
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		457,090
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.		(1,883,765)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(391,301)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		(260,750)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and other financing contracts payable	$ (21,736,515)	
Accreted interest on bonds	(471,951)	
Compensated absences	(517,444)	
Other postemployment benefits obligations	(2,002,153)	
Net pension liability	(2,907,783)	
Pollution remediation obligations	(169,698)	
Unclaimed property	(130,656)	
Claims and judgments	(41,020)	
Other obligations	(549,789)	
Total long-term liabilities		(28,527,009)
Net Position of Governmental Activities		$ 24,333,671

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 8,903,396	$ -	$ -	$ 97,394	$ 9,000,790
Business and occupation taxes	3,388,542	-	-	5,137	3,393,679
Property taxes	2,018,393	-	-	-	2,018,393
Excise taxes	787,226	32,994	-	106,330	926,550
Motor vehicle and fuel taxes	-	-	-	1,253,179	1,253,179
Other taxes	1,928,356	171,801	-	276,798	2,376,955
Licenses, permits, and fees	115,400	937	-	1,543,323	1,659,660
Other contracts and grants	181,802	865,920	-	264,915	1,312,637
Timber sales	1,654	-	24,830	101,323	127,807
Federal grants-in-aid	12,052,763	1,448,517	-	1,210,486	14,711,766
Charges for services	55,822	2,587,387	1	625,627	3,268,837
Investment income (loss)	7,665	39,308	195,535	64,197	306,705
Miscellaneous revenue	287,529	99,759	3,128	530,033	920,449
Contributions and donations	-	-	65,419	-	65,419
Unclaimed property	55,885	-	-	-	55,885
Total Revenues	29,784,433	5,246,623	288,913	6,078,742	41,398,711
EXPENDITURES					
Current:					
General government	845,562	-	125	484,435	1,330,122
Human services	16,794,009	-	-	772,392	17,566,401
Natural resources and recreation	444,989	-	-	794,131	1,239,120
Transportation	37,362	-	-	1,845,512	1,882,874
Education	10,176,508	5,154,442	4,285	579,556	15,914,791
Intergovernmental	116,841	-	-	348,423	465,264
Capital outlays	52,223	203,603	18,884	1,972,779	2,247,489
Debt service:					
Principal	7,676	21,417	-	915,208	944,301
Interest	1,359	12,645	-	968,130	982,134
Total Expenditures	28,476,529	5,392,107	23,294	8,680,566	42,572,496
Excess of Revenues Over (Under) Expenditures	1,307,904	(145,484)	265,619	(2,601,824)	(1,173,785)
OTHER FINANCING SOURCES (USES)					
Bonds issued	186,887	85,851	-	939,352	1,212,090
Refunding bonds issued	-	-	-	2,610,505	2,610,505
Payments to escrow agents for refunded bond debt	-	-	-	(3,127,361)	(3,127,361)
Issuance premiums	5,351	2,281	-	664,665	672,297
Other debt issued	7,129	20,553	-	3,642	31,324
Transfers in	465,587	1,308,765	499,976	2,787,616	5,061,944
Transfers out	(1,118,524)	(1,145,904)	(684,820)	(1,988,019)	(4,937,267)
Total Other Financing Sources (Uses)	(453,570)	271,546	(184,844)	1,890,400	1,523,532
Net Change in Fund Balances	854,334	126,062	80,775	(711,424)	349,747
Fund Balances - Beginning, as restated	1,811,085	2,702,678	3,385,643	6,448,849	14,348,255
Fund Balances - Ending	$ 2,665,419	$ 2,828,740	$ 3,466,418	$ 5,737,425	$ 14,698,002

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 349,747
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 1,884,932	
Less: Depreciation expense	(597,939)	1,286,993
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		(849,012)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		(339,539)
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (4,479,476)	
Principal payments on bonds and other financing contracts	3,745,918	
Accreted interest on bonds	(56,015)	(789,573)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ (3,693)	
Other postemployment benefits	(369,673)	
Pensions	514,041	
Pollution remediation	(4,859)	
Claims and judgments	(2,011)	
Accrued interest	11,011	
Unclaimed property	(29,878)	
Other obligations	(101,408)	13,530
Change in Net Position of Governmental Activities		$ (327,854)

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2015
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 74,518	$ 3,675,155	$ 744,379	$ 11,109
Investments	68,487	-	20,430	75,818
Other receivables (net of allowance)	788,643	601,276	230,789	53,639
Due from other funds	106	18,044	18,519	2
Due from other governments	1,085	33,698	64,125	-
Inventories	233	-	39,506	-
Prepaid expenses	2,071	-	10,160	-
Restricted cash and investments	738	-	6,875	-
Restricted receivables	-	-	3,172	-
Total Current Assets	935,881	4,328,173	1,137,955	140,568
Noncurrent Assets:				
Investments, noncurrent	14,634,116	-	185,750	2,653,039
Restricted investments, noncurrent	1,938	-	61,339	-
Restricted receivables, noncurrent	-	-	-	-
Restricted net pension asset	-	-	379	-
Other noncurrent assets	3,284	-	133,036	208,757
Capital assets:				
Land and other non-depreciable assets	3,240	-	57,424	-
Buildings	65,134	-	3,186,276	-
Other improvements	1,289	-	94,643	-
Furnishings, equipment, and intangibles	98,924	-	582,740	106
Infrastructure	-	-	42,646	-
Accumulated depreciation	(108,124)	-	(1,415,745)	(91)
Construction in progress	11,183	-	281,567	-
Total Noncurrent Assets	14,710,984	-	3,210,055	2,861,811
Total Assets	15,646,865	4,328,173	4,348,010	3,002,379
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	-	30,263	-
Deferred outflows on pensions	14,868	-	33,297	151
Total Deferred Outflows of Resources	14,868	-	63,560	151
Total Assets and Deferred Outflows of Resources	$ 15,661,733	$ 4,328,173	$ 4,411,570	$ 3,002,530

The notes to the financial statements are an integral part of this statement.

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 94,850	$ 4,600,011	$ 742,273
23,392	188,127	12,827
19,836	1,694,183	19,432
13,376	50,047	77,344
5,116	104,024	28,379
8,500	48,239	17,645
414	12,645	11,481
-	7,613	82,632
-	3,172	11,420
165,484	6,708,061	1,003,433
129,998	17,602,903	35,649
-	63,277	-
-	-	2,262
-	379	-
5	345,082	791
1,540	62,204	6,212
12,828	3,264,238	507,594
2,557	98,489	16,215
32,337	714,107	903,123
-	42,646	1,968
(24,947)	(1,548,907)	(690,119)
-	292,750	30,949
154,318	20,937,168	814,644
319,802	27,645,229	1,818,077
-	30,263	-
4,207	52,523	19,175
4,207	82,786	19,175
$ 324,009	$ 27,728,015	$ 1,837,252

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2015
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 8,851	$ -	$ 148,554	$ 408
Contracts and retainages payable	9,377	56	16,475	220,000
Accrued liabilities	212,913	-	249,760	63,651
Obligations under security lending agreements	68,487	-	-	75,818
Bonds and notes payable	4,050	-	95,483	-
Due to other funds	6,769	2,989	154,519	318
Due to other governments	4	84,642	4	-
Unearned revenue	7,022	-	55,079	-
Claims and judgments payable	1,959,663	-	-	-
Total Current Liabilities	2,277,136	87,687	719,874	360,195
Noncurrent Liabilities:				
Claims and judgments payable	23,106,486	-	-	-
Bonds and notes payable	-	-	1,945,135	-
Net pension liability	102,264	-	227,675	956
Other long-term liabilities	52,033	-	318,215	1,822,487
Total Noncurrent Liabilities	23,260,783	-	2,491,025	1,823,443
Total Liabilities	25,537,919	87,687	3,210,899	2,183,638
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	-	-	248	-
Deferred inflows on pensions	43,615	-	99,470	424
Total Deferred Inflows of Resources	43,615	-	99,718	424
NET POSITION				
Net investment in capital assets	67,595	-	886,269	15
Restricted for:				
Unemployment compensation	-	4,240,486	-	-
Pensions	-	-	379	-
Unrestricted	(9,987,396)	-	214,305	818,453
Total Net Position	(9,919,801)	4,240,486	1,100,953	818,468
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 15,661,733	$ 4,328,173	$ 4,411,570	$ 3,002,530

The notes to the financial statements are an integral part of this statement.

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 13,682	$ 171,495	$ 48,170
497	246,405	1,601
61,953	588,277	77,509
-	144,305	6,652
460	99,993	92,295
17,129	181,724	48,545
6,234	90,884	18,538
4	62,105	2,566
4,571	1,964,234	204,807
104,530	3,549,422	500,683
9,784	23,116,270	530,929
5,065	1,950,200	468,688
32,081	362,976	389,519
130,646	2,323,381	147,792
177,576	27,752,827	1,536,928
282,106	31,302,249	2,037,611
-	248	173
13,860	157,369	60,218
13,860	157,617	60,391
18,792	972,671	266,879
-	4,240,486	-
-	379	-
9,251	(8,945,387)	(527,629)
28,043	(3,731,851)	(260,750)
$ 324,009	$ 27,728,015	$ 1,837,252

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	$ -	$ -	$ 98,484	$ -
Less: Cost of goods sold	-	-	(63,467)	-
Gross profit	-	-	35,017	-
Charges for services	9	-	1,949,525	52,804
Premiums and assessments	2,337,483	1,240,601	-	-
Lottery ticket proceeds	-	-	-	-
Federal aid for unemployment insurance benefits	-	56,669	-	-
Miscellaneous revenue	37,944	15,992	168,441	296
Total Operating Revenues	2,375,436	1,313,262	2,152,983	53,100
OPERATING EXPENSES				
Salaries and wages	150,278	-	776,563	2,799
Employee benefits	55,397	-	195,130	634
Personal services	11,304	-	4,125	1,134
Goods and services	82,416	-	953,679	888
Travel	4,145	-	26,138	56
Premiums and claims	2,666,452	968,381	-	-
Guaranteed education tuition program expense	-	-	-	(590,103)
Lottery prize payments	-	-	-	-
Depreciation and amortization	7,184	-	154,028	2
Miscellaneous expenses	41,041	-	21,958	-
Total Operating Expenses	3,018,217	968,381	2,131,621	(584,590)
Operating Income (Loss)	(642,781)	344,881	21,362	637,690
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	234,324	80,566	36,294	20,997
Interest expense	(255)	-	(118,451)	-
Tax and license revenue	104	-	-	-
Other revenues (expenses)	7,737	-	11,771	-
Total Nonoperating Revenues (Expenses)	241,910	80,566	(70,386)	20,997
Income (Loss) Before Contributions and Transfers	(400,871)	425,447	(49,024)	658,687
Capital contributions	-	-	104	-
Transfers in	-	-	400,955	-
Transfers out	-	-	(393,563)	-
Net Contributions and Transfers	-	-	7,496	-
Change in Net Position	(400,871)	425,447	(41,528)	658,687
Net Position - Beginning, as restated	(9,518,930)	3,815,039	1,142,481	159,781
Net Position - Ending	$ (9,919,801)	$ 4,240,486	$ 1,100,953	$ 818,468

The notes to the financial statements are an integral part of this statement.

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 89,331	$ 187,815	$ 45,481
(61,547)	(125,014)	(39,763)
27,784	62,801	5,718
35,071	2,037,409	622,304
739	3,578,823	1,206,815
600,348	600,348	-
-	56,669	-
3,776	226,449	156,197
667,718	6,562,499	1,991,034
51,929	981,569	299,838
18,666	269,827	139,818
18,596	35,159	27,686
94,600	1,131,583	329,136
1,795	32,134	4,547
-	3,634,833	1,441,912
-	(590,103)	-
365,930	365,930	-
1,355	162,569	97,150
417	63,416	855
553,288	6,086,917	2,340,942
114,430	475,582	(349,908)
5,057	377,238	16,747
(7,854)	(126,560)	(27,389)
19,743	19,847	25
255	19,763	1,047
17,201	290,288	(9,570)
131,631	765,870	(359,478)
-	104	8,252
12,804	413,759	55,977
(156,560)	(550,123)	(44,290)
(143,756)	(136,260)	19,939
(12,125)	629,610	(339,539)
40,168	(4,361,461)	78,789
$ 28,043	$ (3,731,851)	$ (260,750)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 2,103,172	$ 1,264,467	$ 2,031,089	$ 67,805
Payments to suppliers	(1,942,454)	(982,641)	(1,494,612)	(77,615)
Payments to employees	(198,922)	-	(931,482)	(3,265)
Other receipts	37,945	105,647	168,441	296
Net Cash Provided (Used) by Operating Activities	(259)	387,473	(226,564)	(12,779)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	400,955	-
Transfers out	-	-	(393,563)	-
Operating grants and donations received	7,733	-	6,261	-
Taxes and license fees collected	104	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	7,837	-	13,653	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	(325)	-	(71,168)	-
Principal payments on long-term capital financing	(3,820)	-	(386,423)	-
Proceeds from long-term capital financing	-	-	409,553	-
Proceeds from sale of capital assets	3	-	18,330	-
Acquisitions of capital assets	(12,348)	-	(240,397)	(16)
Net Cash Provided (Used) by Capital and Related Financing Activities	(16,490)	-	(270,105)	(16)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	563,851	80,566	38,730	129,076
Proceeds from sale of investment securities	5,208,230	-	19,333	726,024
Purchases of investment securities	(5,770,404)	-	(8,663)	(832,244)
Net Cash Provided (Used) by Investing Activities	1,677	80,566	49,400	22,856
Net Increase (Decrease) in Cash and Pooled Investments	(7,235)	468,039	(433,616)	10,061
Cash and Pooled Investments, July 1, as restated	82,491	3,207,116	1,184,870	1,048
Cash and Pooled Investments, June 30	$ 75,256	$ 3,675,155	$ 751,254	$ 11,109
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ (642,781)	$ 344,881	$ 21,362	$ 637,690
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	7,184	-	154,028	2
Revenue reduced for uncollectible accounts	37,132	-	1,268	-
Change in Assets: Decrease (Increase)				
Receivables	(234,621)	56,852	(15,803)	15,002
Inventories	71	-	1,918	-
Prepaid expenses	(1,836)	-	4,269	-
Change in Deferred Outflows of Resources: Increase (Decrease)	(1,670)	-	(3,595)	(26)
Change in Liabilities: Increase (Decrease)				
Payables	792,647	(14,260)	(489,481)	(665,871)
Change in Deferred Inflows of Resources: Decrease (Increase)	43,615	-	99,470	424
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (259)	$ 387,473	$ (226,564)	$ (12,779)

The notes to the financial statements are an integral part of this statement.

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
$ 723,383	$ 6,189,916	$ 2,112,342
(562,665)	(5,059,987)	(1,864,171)
(68,337)	(1,202,006)	(415,681)
3,794	316,123	163,453
96,175	244,046	(4,057)
12,804	413,759	55,977
(156,560)	(550,123)	(44,290)
342	14,336	715
19,743	19,847	25
(123,671)	(102,181)	12,427
(248)	(71,741)	(22,985)
(442)	(390,685)	(42,051)
-	409,553	38,602
115	18,448	8,598
(3,824)	(256,585)	(123,888)
(4,399)	(291,010)	(141,724)
49	812,272	15,768
28,406	5,981,993	4,014
(4,969)	(6,616,280)	(16,640)
23,486	177,985	3,142
(8,409)	28,840	(130,212)
103,259	4,578,784	955,117
$ 94,850	$ 4,607,624	$ 824,905
$ 114,430	$ 475,582	$ (349,908)
1,355	162,569	97,150
28	38,428	115
(1,500)	(180,070)	3,041
(1,129)	860	1,951
(199)	2,234	(6,493)
(45)	(5,336)	(953)
(30,625)	(407,590)	190,822
13,860	157,369	60,218
$ 96,175	$ 244,046	$ (4,057)

Statement of Cash Flows
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	$ -	$ -	$ 104	$ -
Amortization of annuity prize liability	-	-	-	-
Increase (decrease) in fair value of investments	(334,987)	-	791	(106,493)
Debt refunding deposited with escrow agent	-	-	369,655	-
Amortization of debt premium/discount	-	-	48,721	-
Increase in ownership of joint venture	-	-	5,019	-

The notes to the financial statements are an integral part of this statement.

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ -	$ 104	$ 8,252
7,606	7,606	-
5,008	(435,681)	523
-	369,655	-
-	48,721	-
-	5,019	-

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2015
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	$ 1,885	$ 4,393,750	$ 45,636	$ 73,387
Investments	-	4,152,692	-	2,521
Receivables, pension and other employee benefit plans:				
Employers	-	-	175,763	-
Members (net of allowance)	-	-	3,755	-
Interest and dividends	-	-	230,144	-
Investment trades pending	-	-	2,183,841	-
Due from other pension and other employee benefit funds	-	-	51,091	-
Other receivables, all other funds	-	699	137	8,679
Due from other governments	-	-	-	18,057
Total Current Assets	1,885	8,547,141	2,690,367	102,644
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	37,594,459	-
Fixed income	-	-	17,858,971	-
Private equity	-	-	18,457,130	-
Real estate	-	-	11,967,076	-
Security lending	-	-	843,059	-
Liquidity	-	-	2,121,885	-
Tangible assets	-	-	1,631,483	-
Investments, noncurrent, all other funds	1,210	791,433	-	212
Other noncurrent assets	-	-	-	58,957
Capital assets:				
Furnishings, equipment, and intangibles	37	-	-	-
Accumulated depreciation	(23)	-	-	-
Total Noncurrent Assets	1,224	791,433	90,474,063	59,169
Total Assets	3,109	9,338,574	93,164,430	$ 161,813
LIABILITIES				
Accounts payable	99	-	-	$ 7,518
Contracts and retainages payable	-	-	-	29,893
Accrued liabilities	95	648,147	2,599,629	44,935
Obligations under security lending agreements	-	-	845,247	2,521
Due to other funds	-	82	-	-
Due to other pension and other employee benefit funds	-	-	51,091	-
Due to other governments	-	34,236	-	17,989
Unearned revenue	-	-	1,026	-
Other long-term liabilities	-	-	-	58,957
Total Liabilities	194	682,465	3,496,993	$ 161,813
NET POSITION				
Net position restricted for:				
Pensions	-	-	86,055,159	
Deferred compensation participants	-	-	3,612,278	
Local government pool participants	-	8,656,109	-	
Individuals, organizations, and other governments	2,915	-	-	
Total Net Position	$ 2,915	$ 8,656,109	$ 89,667,437	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Net Position
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 1,612,035
Members	-	-	1,146,532
State	-	-	74,842
Participants	-	13,328,959	208,424
Total Contributions	-	13,328,959	3,041,833
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	2,221,532
Interest and dividends	-	10,820	1,831,285
Earnings on investments	-	124	-
Less: Investment expenses	-	-	(317,747)
Net Investment Income (Loss)	-	10,944	3,735,070
Other Additions:			
Unclaimed property	67,940	-	-
Transfers from other plans	-	-	4,754
Miscellaneous revenue	5	-	13
Total Other Additions	67,945	-	4,767
Total Additions	67,945	13,339,903	6,781,670
DEDUCTIONS			
Pension benefits	-	-	3,662,210
Pension refunds	-	-	506,393
Transfers to other plans	-	-	4,754
Administrative expenses	4,277	940	2,431
Distributions to participants	-	13,343,861	225,333
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	63,139	-	-
Total Deductions	67,416	13,344,801	4,401,121
Net Increase (Decrease)	529	(4,898)	2,380,549
Net Position - Beginning	2,386	8,661,007	87,286,888
Net Position - Ending	$ 2,915	$ 8,656,109	$ 89,667,437

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
COMPONENT UNITS
June 30, 2015
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 7,747	$ 8,171	$ 53,431	$ 12,783
Investments	-	-	22,526	1,029
Investments, restricted	4,848	-	-	922
Other receivables (net of allowance)	872	21,749	74,242	53,796
Inventories	-	-	4,781	5,346
Prepaid expenses	23	1,055	6,399	5,746
Total Current Assets	13,490	30,975	161,379	79,622
Noncurrent Assets:				
Investments, noncurrent	-	-	106,580	44,767
Restricted investments, noncurrent	2,590	-	17,384	1,868
Other noncurrent assets	-	-	-	3,682
Capital assets:				
Land	34,677	-	13,414	10,817
Buildings	460,637	-	423,194	132,851
Other improvements	-	637	18,490	26,801
Furnishings, equipment and intangible assets	19,423	45,400	231,453	207,110
Accumulated depreciation	(218,134)	(23,195)	(341,794)	(262,986)
Construction in progress	-	-	9,271	3,142
Total Noncurrent Assets	299,193	22,842	477,992	168,052
Total Assets	312,683	53,817	639,371	247,674
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	-	-	-	-
Deferred outflows on refundings	-	-	-	6,435
Deferred outflows on pensions	23	-	-	-
Total Deferred Outflows of Resources	23	-	-	6,435
Total Assets and Deferred Outflows of Resources	$ 312,706	$ 53,817	$ 639,371	$ 254,109

The notes to the financial statements are an integral part of this statement.

Continued

Nonmajor Component Units	Total
$ 38,762	$ 120,894
57,536	81,091
-	5,770
5,602	156,261
-	10,127
282	13,505
102,182	387,648
-	151,347
-	21,842
134,057	137,739
-	58,908
-	1,016,682
-	45,928
1,783	505,169
(1,631)	(847,740)
-	12,413
134,209	1,102,288
236,391	1,489,936
422	422
-	6,435
37	60
459	6,917
$ 236,850	$ 1,496,853

Statement of Net Position
COMPONENT UNITS
June 30, 2015
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 30	$ 20,966	$ 16,800	$ 11,473
Contracts and retainages payable	592	2,348	-	407
Accrued liabilities	4,275	7,661	80,163	37,988
Unearned revenue	-	-	-	-
Total Current Liabilities	4,897	30,975	96,963	49,868
Noncurrent Liabilities:				
Net pension liability	61	-	-	-
Other long-term liabilities	3,700	-	312,398	108,691
Total Noncurrent Liabilities	3,761	-	312,398	108,691
Total Liabilities	8,658	30,975	409,361	158,559
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	64	-	-	-
Total Deferred Inflows of Resources	64	-	-	-
NET POSITION				
Net investment in capital assets	288,709	22,842	33,169	33,864
Restricted for deferred sales tax	8,282	-	-	-
Restricted for other purposes	-	-	8,012	2,402
Unrestricted	6,993	-	188,829	59,284
Total Net Position	303,984	22,842	230,010	95,550
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 312,706	$ 53,817	$ 639,371	$ 254,109

The notes to the financial statements are an integral part of this statement.

Concluded

Nonmajor Component Units	Total
$ 38,718	$ 87,987
-	3,347
1,094	131,181
13,622	13,622
53,434	236,137
3,357	3,418
-	424,789
3,357	428,207
56,791	664,344
1,502	1,566
1,502	1,566
152	378,736
-	8,282
1,083	11,497
177,322	432,428
178,557	830,943
$ 236,850	$ 1,496,853

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
EXPENSES	$ 16,384	$ 129,734	$ 531,206	$ 379,269
PROGRAM REVENUES				
Charges for services	3,517	7,167	525,288	359,488
Operating grants and contributions	-	108,180	-	11,947
Total Program Revenues	3,517	115,347	525,288	371,435
Net Program Revenues (Expense)	(12,867)	(14,387)	(5,918)	(7,834)
GENERAL REVENUES				
Earnings (loss) on investments	129	-	3,403	986
Property taxes	-	-	18,132	-
Total General Revenues	129	-	21,535	986
Change in Net Position	(12,738)	(14,387)	15,617	(6,848)
Net Position - Beginning, as restated	316,722	37,229	214,393	102,398
Net Position - Ending	$ 303,984	$ 22,842	$ 230,010	$ 95,550

The notes to the financial statements are an integral part of this statement.

Nonmajor Component Units	Total
$ 23,486	$ 1,080,079
49,439	944,899
5,706	125,833
55,145	1,070,732
31,659	(9,347)
739	5,257
-	18,132
739	23,389
32,398	14,042
146,159	816,901
$ 178,557	$ 830,943

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 1

Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government) and organizations that are financially accountable to the state. Additionally, other organizations that do not meet the financial accountability criteria may be included in the reporting entity if the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either (1) able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government. The organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: (1) the primary government is legally entitled to or can access the organization's resources; (2) the primary government is legally obligated or has otherwise assumed the obligation to finance or provide financial support to the organization; (3) the primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the following are included in the financial statements of the primary government:

State Agencies. Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, councils (agencies), and all funds and subsidiary accounts of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor. Additionally, a small number of board positions are established by statute or independently elected.

The Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets resides with the state.

Colleges and Universities. The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. The governing board of each college and university appoints a president to function as chief administrator. The Legislature approves budgets and budget amendments for the appropriated funds of each college and university, which include the state's General Fund as well as certain capital projects funds. The State Treasurer issues general obligation debt for major campus construction projects. However, the colleges and universities are authorized to issue revenue bonds.

The University of Washington (UW) and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. All other revenue bonds issued by colleges and universities pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities. The legal liability for the bonds and the ownership of the college and university assets reside with the state.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state, their financial operations, including their blended component units, are reported in the state's financial statements using the fund structure prescribed by GASB.

Retirement Systems. The state of Washington, through the Department of Retirement Systems, administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of the Department of Retirement Systems is appointed by the Governor.

There are three additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the State Board for Volunteer Fire Fighters and Reserve Officers, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration. The Higher Education Retirement Plan Supplemental Defined Benefit Plans are administered by the state's colleges and universities.

The Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems, together with the state, provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All of the aforementioned retirement systems are included in the primary government's financial statements.

Blended Component Units

Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. Financial information for the state's blended component units may be obtained from the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA, 98504-3127. The following entities are blended in the state's financial statements:

Tobacco Settlement Authority. The Tobacco Settlement Authority (TSA) was created by the Legislature in March 2002, as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7.A for additional information.

Association of University Physicians. The University of Washington Physicians (UWP) was established for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM.

UW Medicine Neighborhood Clinics. The UW Medicine Neighborhood Clinics (Neighborhood Clinics) were established for the exclusive benefit of the University's School of Medicine, UWP and its affiliated medical centers, Harborview Medical Center, and the University of Washington Medical Center. The Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents, and students.

Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3 were formed to acquire, construct, or renovate certain real properties for the benefit of the University of Washington in fulfilling its educational, medical, or scientific research missions.

Tumwater Office Properties and FYI Properties were formed to design and construct office facilities to house state employees. The facilities were financed with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service.

Discrete Component Units

Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state, or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the authorities. The state also has the ability to influence the operations of the authorities through legislation.

The state's component units each have a year-end of June 30 with the exception of the Washington Economic Development Finance Authority and the Washington Health Benefit Exchange which have a December 31 year-end.

The following entities are discretely presented in the financial statements of the state in the component unit's column:

The **Washington State Housing Finance Commission,** the **Washington Higher Education Facilities Authority,** the **Washington Health Care Facilities Authority,** and the **Washington Economic Development Finance Authority** (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations, including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority
410 11th Avenue SE, Suite 201
PO Box 40935
Olympia, WA 98504-0935

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

The **Washington State Public Stadium Authority (PSA**) was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total $296.6 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as required in statute.

Project costs in excess of $300 million were the responsibility of the project's private partner, First & Goal, Inc. The bonds are being repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility.

Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority
CenturyLink Field & Event Center
800 Occidental Avenue South, #700
Seattle, WA 98134

The **Washington Health Benefit Exchange (Exchange)** was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and Affordable Care Act of 2010. Federal grant funding financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange is to be self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

Financial reports of the Exchange may be obtained at the following address:

Washington Health Benefit Exchange
810 Jefferson Street SE
Olympia, WA 98501

Northwest Hospital was created January 1, 2010, under an affiliation agreement between UW Medicine and Northwest Hospital and Medical Center (Northwest Hospital). UW Medicine is an academic medical center comprised of UW School of Medicine, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, Association of University Physicians, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 281-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital. Financial reports of Northwest Hospital may be obtained at the following address:

Northwest Hospital
1550 N. 115th Street
Seattle, WA 98133-9733

Valley Medical Center was created July 1, 2011, through a strategic alliance between UW Medicine and Public Hospital District No. 1 of King County. Valley Medical Center owns and operates a 321-bed full service acute care hospital and 45 clinics located throughout southeast King County. Financial reports of Valley Medical Center may be obtained at the following address:

Valley Medical Center
400 S. 43rd Street
Renton, WA 98055

Joint Ventures

In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center to establish the **Seattle Cancer Care Alliance**

(SCCA). Each member of the SCCA has a one-third interest. The mission of the SCCA is to eliminate cancer as a cause of human suffering and death and to become recognized as the premier cancer research and treatment center in the Pacific Northwest. The SCCA integrates the cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

Inpatient Services – The SCCA operates a 20-bed unit located within the Medical Center in which its adult inpatients receive care. The fiscal intermediary has determined that the 20-bed unit qualifies as a hospital within a hospital for Medicare reimbursement purposes. The SCCA provides medical oversight and management of the inpatient unit. Under agreements, the Medical Center provides inpatient care services to the SCCA including necessary personnel, equipment, and ancillary services.

Outpatient Services – The SCCA operates an ambulatory cancer care service facility in Seattle. The Medical Center provides various services to the SCCA's outpatient facility including certain pharmacy, laboratory, and pathology services as well as billing, purchasing, and other administrative services.

The state accounts for the Medical Center's interest in SCCA under the equity method of accounting. Income of $5.0 million was recorded in fiscal year 2015, bringing the total equity investment to $107.7 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for SCCA may be obtained from:

Seattle Cancer Care Alliance
825 Eastlake Avenue East
PO Box 19023
Seattle, WA 98109-1023

The University of Washington and Seattle Children's Hospital established **Children's University Medical Group (CUMG)** to assist the organizations in carrying out their pediatric patient care, charitable, educational, and scientific missions.

Separate financial statements for CUMG may be obtained from:

Children's University Medical Group
4500 Sand Point Way NE, Suite 100
Seattle, WA 98105

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Statement of Net Position. The Statement of Net Position presents the state's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. As a general rule, balances between governmental and business-type activities are eliminated.

Statement of Activities. The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program are also considered program revenues.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally, the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The state uses 642 accounts that are combined into 51 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.

- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for educational and research purposes.

- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the income earned on investments.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.

- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.

- **Guaranteed Education Tuition Program Fund** accounts for Washington's Guaranteed Education Tuition (GET) Program. GET is a qualified tuition program under Section 529 of the Internal Revenue Code.

The state includes the following governmental and proprietary fund types within nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system, and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations, and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.

- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery, vocational/education programs at correctional institutions, and other activities.

- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, health insurance, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

The state reports the following fiduciary funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.

- **Investment Trust Fund** accounts for the external portion of the Local Government Investment Pool, which is reported by the state as the sponsoring government.

- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.

- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals.

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets and current liabilities and deferred outflows of resources and deferred inflows of resources are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected by the state at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue, if collectible within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by unavailable revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due and certain liabilities including compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available spendable financial resources.

The state reports both unavailable and unearned revenues on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Unearned revenues arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as "Cash and Pooled Investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for noncurrent investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), an external investment pool operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at: http://www.tre.wa.gov/documents/lgipCafr/lgipCafrFY15.pdf, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

In the absence of readily ascertainable fair values, certain pension trust fund investments, including real estate and private equity, are reported at fair value based on the individual investment's capital account balance at the closest available reporting period, adjusted for subsequent activity. At June 30, 2015, these alternative investments are valued at $32.06 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

All other noncurrent investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Position, except for the net residual balances due between the governmental and business-type activities, which are reported as internal balances. Amounts recorded in governmental and business-type activities as due to or from fiduciary funds have been reported as due to or from other governments.

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand at an inventory control point is estimated to be $50,000 or more. Consumable inventories are valued at cost using either the first-in, first-out or weighted average methods. Donated consumable inventories are recorded at fair market value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are valued at cost using the first-in, first-out method.

Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a reservation of fund balance indicating that they do not constitute "available spendable resources" except for $7.0 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year-end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

4. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by debt covenants, escrow arrangements, or other regulations.

5. Capital Assets

Capital assets are tangible and intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy.

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or more;
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, exchanged;
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater except for assets held by the University of Washington (UW). The capitalization threshold for all other capital assets held by the UW is $2,000.

Assets acquired by capital leases are capitalized if the assets' fair market value meets the state's capitalization thresholds described above.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use (ancillary costs). Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets are valued at their estimated fair market value on the date of donation, plus all appropriate ancillary costs. When the fair market value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of original cost and fair market value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2015, $86.9 million in interest costs were incurred, and $7.7 million net interest costs were capitalized.

State agencies are not required to capitalize art collections, library reserve collections, and museum and historical collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.

- The collection is protected, kept unencumbered, cared for, and preserved.

- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	3-50 years
Other improvements	3-50 years
Intangibles	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation/ amortization of disposed capital assets are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets;

- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale; and

- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding, pensions, and hedging derivative instruments.

Deferred outflows on debt refunding result when the net carrying value of refunded debt exceeds its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred outflows on hedging derivative instruments represent the unrealized loss in fair value of the contract at fiscal year end.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that

time. Deferred inflows of resources reported by the state relate to unavailable revenue, debt refunding, pensions, and hedging derivative instruments.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds balance sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

Deferred inflows on refunding result when the reacquisition price of the refunding debt exceeds the net carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Deferred inflows on hedging derivative instruments represent the unrealized gain in fair value of the contract at fiscal year end.

7. Compensated Absences

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested, i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate its compensated absences obligation with future resources rather than advance funding it with available spendable financial resources.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Position.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is payable, i.e., upon employee's use, resignation, or retirement. Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits, as applicable, as the leave is earned.

8. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Position. Bonds payable are reported net of applicable original issuance premium or discount. When material, bond premiums and discounts are deferred and amortized over the life of the bonds.

For governmental fund financial reporting, the face (par) amount of debt issued is reported as other financing sources. Premiums and discounts on original debt issuance are also reported as other financing sources and uses, respectively. Issue costs are reported as debt service expenditures.

9. Fund Equity

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.

- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.

- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that the expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then use unrestricted resources as they are needed.

In fiduciary funds, net assets are held in trust for individuals and external organizations.

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers' Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers' Compensation Fund, an enterprise fund, is used to account for the workers' compensation program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the workers' compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLA) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience, except for the Supplemental Pension Fund premiums which are based on a flat rate per hours worked independent of risk class or past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium-rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the workers' compensation program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

The Department of Labor and Industries prepares a stand-alone financial report for its Workers' Compensation Program. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Labor and Industries, PO Box 44833, Olympia, Washington 98504-4833 or by visiting their website at: http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports/Default.asp.

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. A limited amount of commercial insurance is purchased for liabilities arising from the operations of the Washington state ferries, employee bonds, and to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past ten fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, tribal governments, political subdivisions, and employee organizations representing state civil service workers. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for in an internal service fund, the Employee Insurance Fund.

The state's share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies.

The Health Care Authority, as administrator of the health care benefits program, collects this monthly "premium" from agencies for each active employee enrolled in the program. State employees self pay for coverage beyond the state's contribution. Cost of coverage for non-state employees is paid by their respective employers. Most coverage is available on a self-paid basis to former employees and employees who are temporarily not in pay status.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 43, an agency fund, the Retiree Health Insurance Fund, is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled 64 percent of the eligible subscribers in fiscal year 2015. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

2. Postemployment Benefits

COBRA. In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.

Medical Expense Plan. As disclosed in Note 1.D, at the time of separation from state service due to retirement or death, the state offers a 25 percent buyout of an employee's accumulated sick leave. Individual state agencies may offer eligible employees a medical expense plan (MEP) that meets the requirements of the Internal Revenue Code. Agencies offering an MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

Retirement Benefits. Refer to Note 11 Retirement Plans and Note 12 Other Postemployment Benefits.

3. Interfund/Interagency Activities

The state engages in two major categories of interfund/interagency activity: reciprocal and nonreciprocal. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

4. Donor-restricted Endowments

The state of Washington reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. There is no state law that governs endowment spending; rather, the policies of individual university and college boards govern the spending of net appreciation on investments.

Under the current spending policy, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowment's market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $577.6 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2015 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 68 *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governmental employers with employees participating in defined benefit pension plans that are administered through trusts or equivalent arrangements to report their proportionate share of the net pension liability (or net assets, if the plan net position exceeds the total pension liability) on the face of their accrual based financial statements.

Statement No. 71 *Pension Transition for Contributions Made subsequent to the Measurement Date*. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Fund Reclassification. During fiscal year 2015, it was determined that an account should be reclassified to a capital projects type fund because bond proceeds now comprise the majority of its resources. Accordingly, the beginning fund balance in the General Fund was reduced by $14.4 million and the beginning fund balance of the State Facilities Fund, a nonmajor capital projects fund, was increased by $14.4 million. Additionally an account was reclassified to a special revenue fund type as it now has a dedicated revenue source. This resulted in a beginning fund balance reduction of $672 thousand in the General Fund and an increase of $672 thousand in the Human Services Fund, a nonmajor special revenue fund.

Also during fiscal year 2015, an agency was abolished and its accounts receivable were transferred to another agency that recorded the accounts receivables in a different fund. As a result the beginning fund balance of the Central Administrative and Regulatory Fund, a nonmajor special revenue fund, was reduced by $19 thousand, and fund balance of the Higher Education Facilities Fund, a nonmajor capital projects fund, was increased by $19 thousand.

Prior Period Adjustment. The state recorded a reduction to the beginning net position balance in the following funds as a result of implementing GASB Statement No. 68:

- Major Proprietary Funds: Worker's Compensation $134.5 million, Higher Education Student Services $295.5 million, and Guaranteed Education Tuition Program $1.2 million;

- Nonmajor Proprietary Funds: Lottery $7.0 million, Institutional $10.4 million, and Other Activities $25.6 million;

- Internal Service Funds: General Services $115.0 million, Data Processing Revolving $41.6 million, and Higher Education Revolving $31.7 million.

- Component Units: Public Stadium Authority, a major component unit, $129 thousand; and the Washington State Housing Finance Commission and the Washington State Health Care Facilities Authority, both nonmajor component units, $3.7 million and $311 thousand, respectively.

The University of Washington (UW) posted a beginning balance adjustment to correct for both over accruing and incorrectly allocating employee benefits. The adjustment increased fund balance in the Higher Education Special Revenue Fund, a major governmental fund, by $74.4 million ($63.7 million to correct the over accrual and $10.7 million to correct the under allocation to other funds); decreased fund balance in the Higher Education Student Services Fund, a major proprietary fund, by $9.2 million, and decreased fund balance in the Higher Education Revolving Fund, an internal service fund, by $1.5 million.

The Department of Commerce recorded a prior period adjustment in order to properly offset long-term loans receivables with non-spendable fund balance rather than unavailable revenue. This resulted in increases to fund balance in the following nonmajor special revenue funds: $82.7 million in the Central Administrative and Regulatory Fund, $517.1 million in the Human Services Fund, and $259.7 million in the Local Construction and Loan Fund.

The Department of Natural Resources recorded a prior period adjustment to record three previously unrecorded local bank accounts which increased fund balance in the Central Administrative and Regulatory Fund, nonmajor special revenue fund, by $3.2 million.

The beginning net position of Valley Medical Center, a major component unit, was increased by $2.5 million to record a component unit that was previously not reported.

The beginning net position of Northwest Hospital, a major component unit, was increased by $2.7 million to record a component unit that was previously not reported.

Governmental Capital Assets and Long-term Obligations. The state recorded a beginning balance adjustment to long-term obligations associated with governmental funds of $2.85 billion as a result of the implementation of GASB Statement No. 68.

The Department of Transportation recorded a prior period adjustment of $94.3 million to governmental capital assets, and $9.4 million to governmental long-term obligations to record previously unrecorded capital assets and long-term obligations.

The UW posted a beginning balance adjustment of $127.0 million to governmental long-term obligations to properly reflect outstanding debt.

Fund equity at July 1, 2014, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2014, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2014
Governmental Funds:				
General	$ 1,826,141	$ (15,056)	$ -	$ 1,811,085
Higher Education Special Revenue	2,628,295	-	74,383	2,702,678
Higher Education Endowment	3,385,643	-	-	3,385,643
Nonmajor Governmental	5,571,060	15,056	862,733	6,448,849
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,384,408)	-	(134,522)	(9,518,930)
Unemployment Compensation	3,815,039	-	-	3,815,039
Higher Education Student Services	1,447,141	-	(304,660)	1,142,481
Guaranteed Education Tuition Program	160,990	-	(1,209)	159,781
Nonmajor Enterprise	83,235	-	(43,067)	40,168
Internal Service Funds	268,649	-	(189,860)	78,789
Fiduciary Funds:				
Private Purpose Trust	2,386	-	-	2,386
Local Government Investment Pool	8,661,007	-	-	8,661,007
Pension and Other Employee Benefit Plans	87,286,888	-	-	87,286,888
Component Units:				
Public Stadium	316,851	-	(129)	316,722
Health Benefit Exchange	37,229	-	-	37,229
Valley Medical Center	211,893	-	2,500	214,393
Northwest Hospital	99,707	-	2,691	102,398
Nonmajor Component Units	150,177	-	(4,018)	146,159

Note 3
Deposits and Investments

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2015, $1.21 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $9.0 million uninsured/uncollateralized.

B. INVESTMENTS – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS (PENSION TRUST FUNDS)

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the pension trust funds is vested within the voting members of the Washington State Investment Board (WSIB). The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The pension trust funds consist of retirement contributions from employer and employee participants in the Washington State Retirement System and related earnings on those contributions. The Retirement System is administered by the Department of Retirement Systems. The WSIB has exclusive control of the investment of all money invested in the pension trust funds.

In accordance with RCW 43.33A.110, the WSIB manages the pension fund portfolio to achieve maximum return at a prudent level of risk. The WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2015.

Commingled Trust Fund. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 14 separate retirement plans and one supplemental pension funding account. These plans hold shares in the CTF which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell shares in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

In addition to share ownership in the CTF, each retirement plan holds short-term investments that are used to manage each plan's cash needs.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Teachers' Retirement System (TRS) Plans 1, 2, and 3, School Employees' Retirement System (SERS) Plans 2 and 3, Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2, Washington State Patrol Retirement System Plans 1 and 2, Public Safety Employees' Retirement System Plan 2, Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund, and the Higher Education Retirement Supplemental Benefit Fund. PERS Plan 3, TRS Plan 3, and SERS Plan 3 are hybrid defined benefit/defined contribution plans. The participants of those plans have

the option to direct their contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

CTF Investment Policies and Restrictions. The CTF is comprised of public markets equities, fixed income securities, private equity investments, tangible assets, real estate, and an innovation portfolio. The CTF's performance objective is to exceed the return of two custom benchmarks, each consisting of public indices weighted according to asset allocation targets.

The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy is reviewed more frequently if there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the pension trust funds.

When market values fall outside policy ranges, assets are rebalanced first by using normal cash flows and then through reallocations of assets across asset classes. In cases of a major rebalancing, the pension trust funds can utilize futures, forward contracts, and options in order to maintain exposure within each asset class and reduce transaction costs. Major rebalancing can occur to bring asset classes within their target ranges or when the pension trust funds are transitioning managers.

To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible consistent with prudent risk management and the desire for downside protection, with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified; provide diversification to the pension trust funds' overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

The public markets equity portion of the pension trust funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S., and emerging markets. The program has a global benchmark, currently the Morgan Stanley Capital International All Country World Investable Market Index. A mix of external managers approved by the WSIB is used to manage the program. Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored appropriately. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

The fixed income segment is managed to achieve the highest return possible consistent with the desire to control asset volatility, emphasize high yield to maturity opportunities to add value through active management, provide diversification to the overall investment program, and to meet or exceed the return of the Barclays Capital Universal Bond Index, with volatility similar to or less than the index.

RCW 43.33A.140 prohibits a corporate fixed income issue cost from exceeding 3 percent of the CTF's market value at the time of purchase, and 6 percent of its market value thereafter. However, the WSIB manages with a more restrictive concentration constraint, limiting exposure to any corporate issuer to 3 percent of the CTF fixed income portfolio's market value at all times.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par holdings in any single issuer with a quality rating below investment grade (as defined by Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio (the sensitivity of the portfolio's fair value to changes in the level of interest rates) is targeted to be within plus or minus 20 percent of the duration of the Barclays Capital Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges: U.S. treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

Pension trust funds can be invested in any appropriate private equity investment opportunity that has the potential for returns superior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. These investment types are generally divided into venture capital, corporate finance, growth equity, special situations, distressed, mezzanine, and other investments. Private equity investments are made through limited partnership or direct investment vehicles.

The private equity investment portfolio is managed to meet or exceed the returns of the Russell 3000 by 300 basis points in the long term. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

The primary goal of the tangible asset portfolio is to generate a long-term, high quality, stable income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments is primarily targeted to those funds, separate accounts, or tangible asset operating companies providing the WSIB with the most robust governance provisions related to acquisitions, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. The tangible asset portfolio invests in a number of sectors, but the primary focus is infrastructure, timber, and natural resource rights (oil and natural gas).

The WSIB's current return objective for tangible assets calls for a target benchmark of 4 percent above the U.S. Consumer Price Index over a long-term investment horizon defined as at least five years.

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The income generated from bond-like lease payments coupled with the hard asset qualities of commercial real estate combine to generate returns that are expected to fall between the return expectations for fixed income and equities over the long term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class.

The WSIB's real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions, and ongoing operational decisions for annual capital expenditures.

Volatility in the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own real estate assets in a private investment form which are not subject to public market volatility. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including foreign markets, and in various property types. Finally, the WSIB's partners invest at different points within the properties' capital structure and life cycle.

The WSIB's real estate portfolio current benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period.

The innovation portfolio investment strategy is to provide the WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

Currently, there are three investment strategies in the innovation portfolio, two involving private partnerships and one investing in public equities.

2. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2015, the pension trust funds had unfunded commitments of $11.26 billion, $7.39 billion, $1.97 billion, and $22.0 million in private equity, real estate, tangible assets, and the innovation portfolio, respectively.

3. Securities Lending

State law and board policy permit the pension trust funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the pension trust funds in securities lending transactions. As State Street Corporation is the custodian bank for the pension trust funds, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2015, was approximately $1.4 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2015, cash collateral received totaling $843.1 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $843.1 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2015, was $638.4 million.

During the fiscal year, debt and equity securities were loaned and collateralized by the pension trust funds' agent with cash, U.S. government or U.S. agency securities

including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2015 (in millions):

Treasuries	$358.2
Mortgage-backed	342.0
Repurchase agreements	293.2
Cash equivalents and other	291.7
Yankee CD	196.4
Total collateral held	$1,481.5

During fiscal year 2015, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2015, the cash collateral held had an average duration of 22.5 days and an average weighted final maturity of 79.7 days.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value could be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the pension trust funds by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2015, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2015 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Barclays Capital Universal Index, with a duration target within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2015, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two schedules below provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2015. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal.

Pension Trust Funds
Schedule of Maturities and Effective Duration
June 30, 2015
(expressed in thousands)

Investment Type	Fair Value	Maturity: Less than 1 Year	Maturity: 1-5 Years	Maturity: 6-10 Years	Maturity: More than 10 Years	Effective Duration (in years)
Mortgage and other asset-backed securities	$ 1,585,736	$ 537,516	$ 1,013,488	$ 19,968	$ 14,764	2.42
Corporate bonds	9,127,577	450,265	4,102,531	3,126,281	1,448,500	5.97
U.S. government and agency securities	6,061,063	560,577	4,430,546	764,764	305,176	4.09
Foreign government and agency securities	1,084,595	-	478,760	399,336	206,499	5.76
Total investments categorized	17,858,971	$ 1,548,358	$ 10,025,325	$ 4,310,349	$ 1,974,939	5.01*
Investments not required to be categorized:						
Cash and cash equivalents	2,152,831					
Equity securities	29,776,692					
Alternative investments	32,055,690					
Total investments not categorized	63,985,213					
Total Investments	$ 81,844,184					

* *Excludes cash and cash equivalents*

Credit ratings of investments are presented using the Moody's rating scale as follows:

Pension Trust Funds
Investment Credit Ratings
June 30, 2015
(expressed in thousands)

Moody's Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Investment Type: Corporate Bonds	Investment Type: Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 1,576,671	$ 448,883	$ 154,624	$ 2,180,178
Aa1	-	17,690	58,243	75,933
Aa2	-	108,170	53,744	161,914
Aa3	-	685,548	161,701	847,249
A1	765	549,410	-	550,175
A2	-	683,167	-	683,167
A3	-	835,879	79,636	915,515
Baa1	-	1,189,824	45,837	1,235,661
Baa2	7,205	1,328,324	304,354	1,639,883
Baa3	-	2,274,568	169,859	2,444,427
Ba1 or lower	1,095	1,006,114	56,597	1,063,806
Total	$ 1,585,736	$ 9,127,577	$ 1,084,595	$ 11,797,908

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2015, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2015.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities that are in the possession of an outside party. The pension trust funds do not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The pension trust funds do not have a formal policy to limit foreign currency risk. The WSIB manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer to limit foreign currency and security risk.

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2015, of $822.6 million invested in various international commingled equity index funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2015
(expressed in thousands)

	Investment Type in U.S. Dollar Equivalent					
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Alternative Assets**	**Open Foreign Exchange Contracts-Net**	**Total**
Australia-Dollar	$ 7,133	$ 292,665	$ 470,618	$ 26,129	$ 253	$ 796,798
Brazil-Real	233	242,801	130,843	-	-	373,877
Canada-Dollar	11,495	-	725,668	-	(1,405)	735,758
Chile-Peso	-	63,980	5,329	-	-	69,309
China-Yuan	278	57,614	-	-	-	57,892
Columbia-Peso	-	102,035	-	-	-	102,035
Denmark-Krone	287	-	206,437	-	(629)	206,095
E.M.U.-Euro	1,821	-	3,104,461	2,379,773	4,138	5,490,193
Hong Kong-Dollar	1,985	-	662,835	-	-	664,820
India-Rupee	250	109,523	147,604	-	-	257,377
Indonesia-Rupiah	137	50,618	62,726	-	-	113,481
Japan-Yen	16,097	-	2,342,284	-	(2,769)	2,355,612
Malaysia-Ringgit	7	56,526	62,924	-	-	119,457
Mexico-Peso	65	102,866	64,422	-	(18)	167,335
New Israel-Sheqel	219	-	43,715	-	(153)	43,781
New Taiwan-Dollar	1,272	-	166,792	-	-	168,064
New Zealand-Dollar	120	-	12,842	-	14	12,976
Norway-Krone	1,042	-	64,357	-	128	65,527
Philippines-Peso	4	38,989	24,615	-	-	63,608
Singapore-Dollar	1,241	-	171,501	-	(5)	172,737
South Africa-Rand	507	-	121,421	-	13	121,941
South Korea-Won	289	-	223,738	-	-	224,027
Sweden-Krona	800	-	440,279	-	(371)	440,708
Switzerland-Franc	(25)	-	942,733	-	187	942,895
Thailand-Baht	(1)	45,837	53,360	-	-	99,196
Turkey-Lira	-	51,599	73,003	-	-	124,602
United Kingdom-Pound	12,274	-	2,283,906	-	5,754	2,301,934
Other	127	77,178	54,315	-	(3)	131,617
Total	$ 57,657	$ 1,292,231	$ 12,662,728	$ 2,405,902	$ 5,134	$ 16,423,652

7. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. At June 30, 2015, the pension trust funds held investments in financial futures and forward currency contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Changes in Net Position in the period of change. The derivative instruments are considered investment derivatives and not hedging derivatives.

Derivatives are generally used to achieve the desired market exposure of a security, index, or currency; adjust portfolio duration; or rebalance the total portfolio to the target asset allocation. Derivative contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors.

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an over the counter (OTC) contract, such as forward contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2015, the pension trust funds counterparty risk was not deemed to be significant.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These forward commitments are not standardized and carry counterparty credit risk due to the possible nonperformance by a counterparty. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote.

At June 30, 2015, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $5.1 million. The aggregate forward currency exchange contracts receivable and payable were $1.96 billion and $1.96 billion, respectively. The contracts have varying maturity dates ranging from August 12, 2015, to September 16, 2015.

At June 30, 2015, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $91.9 million. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The counterparty credit ratings for forward currency contracts that are subject to credit risk outstanding at June 30, 2015, had a credit rating of no less than A3 using Moody's rating scale.

The following schedule presents the significant terms for derivatives held as investments by the pension trust funds:

Pension Trust Funds
Derivative Investments
June 30, 2015
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ 25,674	$ (3,555)	$ 841,300
Equity index futures	(3,766)	(8,476)	18,048
Total	$ 21,908	$ (12,031)	$ 859,348
Forward Currency Contracts	$ 55,941	$ 5,146	$ 1,960,628

8. **Reverse Repurchase Agreements** – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the Washington State Investment Board (WSIB). The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The Workers' Compensation Fund consists of contributions from employers and their employees participating in the state workers' compensation program, and related earnings on those contributions. The workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

In accordance with state laws, the Workers' Compensation Fund investments are managed to limit fluctuations in the industrial insurance premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and chapter 43.33A RCW. Eligible investments include:

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.

Investment Restrictions. To meet stated objectives, investments of the Workers' Compensation Fund are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.

- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.

- Asset allocations are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.

- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.

- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.

- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Morgan Stanley Capital International (MSCI) U.S. Investable Market Index. The benchmark and structure for international equities will be the MSCI All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.

- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 0 percent to 25 percent. These targets are long-term in nature. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practical.

- Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. Total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of total market value of the funds.

2. Securities Lending

State law and WSIB policy permit the Workers' Compensation Fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the Workers' Compensation Fund in securities lending transactions. As State Street Corporation is the custodian bank for the Workers' Compensation Fund, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2015, was approximately $102.6 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2015, cash collateral received totaling $68.2 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $68.2 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2015, was $38.3 million.

During fiscal year 2015, debt securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2015 (in millions):

Mortgage-backed	$38.3
Cash equivalents and other	28.6
Repurchase agreements	23.7
Yankee CD	15.9
Total collateral held	$106.5

During fiscal year 2015, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2015, the cash collateral held had an average duration of 22.5

days and an average weighted final maturity of 79.7 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the Workers' Compensation Fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2015, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2015 resulting from a default by either the borrowers or the securities lending agents.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. As of June 30, 2015, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The two schedules below provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2015. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2015
(expressed in thousands)

		Maturity				
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration (in years)**
Mortgage and other asset-backed securities	$ 1,893,746	$ 295,992	$ 1,405,828	$ 117,915	$ 74,011	3.02
Corporate bonds	8,969,474	468,390	3,350,231	1,885,623	3,265,230	7.46
U.S. government and agency securities	1,210,817	7,005	891,546	25,133	287,133	7.05
Foreign government and agencies	529,299	38,280	282,285	152,755	55,979	4.91
Total investments categorized	12,603,336	$ 809,667	$ 5,929,890	$ 2,181,426	$ 3,682,353	6.65*
Investments not required to be categorized:						
Commingled investment trusts	1,895,746					
Cash and cash equivalents	135,026					
Total investments not categorized	2,030,772					
Total Investments	$ 14,634,108					

* *Excludes cash and cash equivalents*

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2015
(expressed in thousands)

	Investment Type			
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**Foreign Government and Agencies**	**Total Fair Value**
Aaa	$ 1,845,424	$ 480,823	$ 150,888	$ 2,477,135
Aa2	48,322	83,699	51,950	183,971
Aa3	-	1,240,437	197,778	1,438,215
A1	-	896,830	37,408	934,238
A2	-	1,276,296	-	1,276,296
A3	-	1,410,431	-	1,410,431
Baa1	-	1,274,530	14,453	1,288,983
Baa2	-	916,326	50,164	966,490
Ba1 or lower	-	1,390,102	26,658	1,416,760
Total	$ 1,893,746	$ 8,969,474	$ 529,299	$ 11,392,519

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Fund investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The rated debt investments of the Workers' Compensation Fund as of June 30, 2015, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2015.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Workers' Compensation Fund would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Fund does not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Fund.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2015, the only securities held by the Workers' Compensation Fund with potential foreign currency exposure were $695.0 million invested in an international commingled equity index fund.

The following schedule presents the exposure of the Workers' Compensation Fund to foreign currency risk. The schedule is stated in U.S. dollars.

Workers' Compensation Fund
Foreign Currency Exposure by Country
June 30, 2015
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 33,301
Brazil-Real	10,714
Canada-Dollar	47,376
Denmark-Krone	8,477
E.M.U.-Euro	145,065
Hong Kong-Dollar	53,555
India-Rupee	12,703
Japan-Yen	119,409
Mexico-Peso	6,555
New Taiwan-Dollar	20,695
Singapore-Dollar	7,590
South Africa-Rand	11,765
South Korea-Won	23,356
Sweden-Krona	15,350
Switzerland-Franc	43,557
United Kingdom-Pound	102,342
Miscellaneous Foreign Currencies	33,158
Total	$ 694,968

6. Derivatives

To manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns, the Workers' Compensation Fund is authorized to utilize various derivative financial instruments including collateralized mortgage obligations, financial futures, forward contracts, interest rate and equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. The Workers' Compensation Fund mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

At June 30, 2015, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $1.3 billion.

7. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

The LGIP portfolio is invested in a manner generally consistent with Rule 2a-7 money market funds, as currently recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

Investments are stated at amortized cost, which approximates fair value. Security transactions are reported on a trade date basis in accordance with generally accepted accounting principles.

Investment Objectives. The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment.

Safety of principal is the primary objective. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

The investment portfolio will remain liquid to enable the State Treasurer to meet all cash requirements that might reasonably be anticipated.

The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 39.59, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two designated Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper, provided that the OST adheres with policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for safety and liquidity of funds, the LGIP policy places the following restrictions on the investment portfolio:

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. government floating or variable rate notes which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates their amortized cost.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.
- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

2. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP has contracted with Citibank, N.A. as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the market value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non coupon-bearing securities shall not be valued at less than 102 percent of market value, not to exceed par.

The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During fiscal year 2015, the LGIP lent U.S. agency and treasury securities. Cash collateral was reinvested in repurchase agreements and interest bearing bank deposits. At fiscal year end, there were no securities on loan.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2015, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the fiscal year.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities.

The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2015, the LGIP had a weighted average maturity of 36 days and a weighted average life of 86 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2015:

Local Government Investment Pool (LGIP)
June 30, 2015
(expressed in thousands)

		Maturity	
Investment Type	**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 6,742,020	$ 5,950,587	$ 791,433
U.S. government obligations	849,632	849,632	-
Repurchase agreements	2,968,200	2,968,200	-
Interest bearing bank accounts	820,277	820,277	-
Certificates of deposit and other	64,121	64,121	-
Total	$ 11,444,250	$ 10,652,817	$ 791,433

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositaries, and obligations of the state of Washington or its political subdivisions.

Banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two NRSROs at the time of purchase. The LGIP currently does not have any banker's acceptances, commercial paper, or municipal bonds in its portfolio.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The market value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. Treasury and U.S. Agency securities, to no more than 5 percent of the portfolio.

Repurchase agreements comprise 25.9 percent of the total portfolio as of June 30, 2015. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2015, U.S. treasury securities comprised 7.4 percent of the total portfolio. U.S. agency securities comprised 58.9 percent of the total portfolio, including Federal Home Loan Bank (44.9 percent), Federal Home Loan Mortgage Corporation (2 percent), Federal Farm Credit Bank (10.1 percent), and Federal National Mortgage Association (1.9 percent).

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

The market value plus accrued income of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value plus accrued income of all other securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement.

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name.

Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2015, repurchase agreements totaled $2.97 billion.

State law also permits the LGIP to enter into reverse repurchase agreements which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the value of the securities.

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During fiscal year 2015, the LGIP did not enter into any reverse repurchase agreements.

E. INVESTMENTS – HIGHER EDUCATION SPECIAL REVENUE, ENDOWMENT, AND STUDENT SERVICES FUNDS

1. Summary of Investment Policies

The investments of the University of Washington represent 74 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The Board of Regents of the University of Washington is responsible for the management of the University's investments. The Board establishes investment policy, which is carried out by the Chief Investment Officer.

The University of Washington Investment Committee, comprised of board members and investment professionals, advises on matters relating to the management of the University's investment portfolios.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2015, the Invested Funds Pool totaled $1.53 billion. The fund also owns units in the Consolidated Endowment Fund valued at $806.2 million on June 30, 2015.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2 percent in fiscal year 2015. Endowment operating and gift accounts received 3 percent in fiscal year 2015 with the distributions directed to the University. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure in the CEF under comprehensive prudent standards.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4 percent applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1 percent supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $3.0 million at June 30, 2015.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $111.4 million at June 30, 2015. Income received from these trusts, which is included in investment income, was $6.2 million for the year ended June 30, 2015.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $71.5 million in fiscal year 2015 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these

investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2015, was $151.2 million.

The following schedule presents the fair value of the University's investments by type at June 30, 2015:

University of Washington
June 30, 2015
(expressed in thousands)

Investment Type	Carrying Value
Cash equivalents	$ 403,978
Fixed income	1,726,481
Equity	1,733,102
Non-marketable alternatives	353,053
Absolute return	561,999
Real assets	189,447
Miscellaneous	8,602
Total	$ 4,976,662

2. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2015, the University had outstanding commitments to fund alternative investments in the amount of $329.9 million. The University believes it has adequate liquidity and funding sources to meet these obligations.

3. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. As of June 30, 2015, the University had no securities on loan.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform while controlling the interest rate risk in the portfolio.

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.81 years at June 30, 2015.

5. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline.

The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' liquidity pool requires each manager to maintain an average quality rating of A and to hold at least 25 percent of their portfolios in government and government agency issues.

The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy regarding custodial credit risk.

However, all University investments in the CEF and the Invested Funds Pool are held in the name of the University and are not subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The CEF investment policy limits concentration by manager, country (other than U.S.), and market sector. The University further mitigates concentration of credit risk through the due diligence of each manager and careful monitoring of asset concentrations.

The composition of the fixed income securities at June 30, 2015, along with credit quality and effective duration measures is summarized below. The schedule excludes $36.0 million of fixed income securities held outside the CEF and the Invested Funds Pool, which makes up 1.69 percent of the University's investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2015
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	$ 842,525	$ -	$ -	$ -	$ 842,525	1.43
U.S. government agency	644,721	-	-	-	644,721	2.46
Mortgage-backed	-	107,070	75,060	22,415	204,545	2.01
Asset-backed	-	195,968	6,998	24,111	227,077	1.73
Corporate and other	-	175,364	-	200	175,564	1.14
Total	$ 1,487,246	$ 478,402	$ 82,058	$ 46,726	$ 2,094,432	1.81

* Investment grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's.

6. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2015, of $1.20 billion.

The following schedule, stated in U.S. dollars, details the market value of foreign denominated securities by currency type:

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2015
(expressed in thousands)

Foreign Currency	Amount
China-Yuan	$ 211,184
E.M.U.-Euro	174,487
India-Rupee	112,679
Japan-Yen	110,617
Hong Kong-Dollar	60,046
South Korea-Won	56,835
Britain-Pound	54,880
Brazil-Real	54,225
Switzerland-Franc	39,061
Russia-Ruble	36,218
Canada-Dollar	35,385
Philippines-Peso	29,100
Taiwan-Dollar	27,055
Mexico-Peso	23,898
Remaining currencies	169,400
Total	$ 1,195,070

7. Derivatives

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2015. The University had no hedging derivatives, only derivatives for investment purposes.

Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

The following schedule presents the significant terms for derivatives held as investments by the University:

University of Washington
Derivative Investments
June 30, 2015
(expressed in thousands)

Category	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures contracts	$ (461)	$ 100,286	$ 100,747

8. Reverse Repurchase Agreements – None.

F. INVESTMENTS - OFFICE OF THE STATE TREASURER CASH MANAGEMENT ACCOUNT

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2015, all of the investment income reported by the General Fund was earned by other funds.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return.

The emphasis on "expected" is to recognize that investment decisions are made under conditions of risk and uncertainty. Neither the actual risk nor return of any investment decision is known with certainty at the time the decision is made.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 39.59, 43.250, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored enterprises that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two

NRSROs, it must have the highest rating from all of the organizations.

- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).

- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.

- Local Government Investment Pool (LGIP).

- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of Treasury/Trust funds, the Cash Management Account investment portfolio is subject to the following restrictions:

- The final maturity of any security will not exceed ten years.

- Purchase of collateralized mortgage obligations is not allowed.

- The allocation to investments subject to high price sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

Additionally, investments in non-government securities, excluding collateral of repurchase agreements, must fall within prescribed limits.

2. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Citibank, N.A. as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the market value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. One option available to the lending agent is to invest cash collateral into an OST account in the LGIP. At June 30, 2015, cash collateral totaled $148.3 million, all of which was invested in the LGIP.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2015, the fair value of securities on loan totaled $144.8 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2015, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions or any losses resulting from a default of a borrower or lending agent during the fiscal year.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Treasury/Trust investments are separated into portfolios with objectives based primarily on liquidity needs.

The OST's investment policy limits the weighted average maturity of its investments based on cash flow expectations. Policy also directs due diligence to be exercised with timely reporting of material deviation from expectations and actions taken to control adverse developments as may be possible.

The following schedule presents the OST investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2015:

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2015
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 2,122,497	$ 418,406	$ 1,704,091
U.S. government obligations	1,202,418	186,679	1,015,739
Certificates of deposit	149,071	149,071	-
Investments with LGIP	1,786,267	1,786,267	-
Interest bearing bank accounts	71,140	71,140	-
Total	$ 5,331,393	$ 2,611,563	$ 2,719,830

4. Credit Risk

The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in, such as: U.S. government and agency securities, banker's acceptances, commercial paper, and deposits with qualified public depositaries.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and insure the safety of the investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2015, the OST did not own any non-governmental securities subject to this restriction.

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

Repurchase agreements and securities accepted for repurchase agreements are subject to the following additional restrictions.

Transactions will be conducted only with primary dealers, the Federal Reserve Bank of New York, the state's bank of record, or master custodial bank, and under the terms of a written master repurchase agreement.

Repurchase agreements with any single primary dealer or financial institution will not exceed 20 percent of the portfolio or $600 million, whichever is greater. The maximum term of repurchase agreements will be 180 days. The share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30 percent of the total portfolio.

Securities utilized in repurchase agreements with a maturity date longer than seven days are priced at least weekly and are held by the Treasury/Trust custodian in the state's name.

Treasury, agency, and money market securities will be priced at 102 percent of market value plus accrued income, except where the counterparty is the Federal Reserve Bank of New York, in which case they will be priced at 100 percent of market value plus accrued income.

Mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of market value plus accrued income.

Collateralized mortgage obligation securities utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.
Only securities authorized in statute for the investment of public funds are utilized in repurchase agreements. There were no repurchase agreements as of June 30, 2015.

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the market value of the securities.

If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio. There were no reverse repurchase agreements during fiscal year 2015.

Note 4

Receivables, Unearned and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable

Taxes receivable at June 30, 2015, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,017,320	$ -	$ -	$ -	$ 1,017,320
Sales	1,778,527	-	-	-	1,778,527
Business and occupation	628,465	-	-	-	628,465
Estate	2,222	10,730	-	-	12,952
Fuel	-	-	-	144,602	144,602
Liquor	-	-	-	5,560	5,560
Marijuana	-	-	-	11,949	11,949
Other	4,625	149	-	380	5,154
Subtotals	3,431,159	10,879	-	162,491	3,604,529
Less: Allowance for uncollectible receivables	37,688	-	-	589	38,277
Total Taxes Receivable	$ 3,393,471	$ 10,879	$ -	$ 161,902	$ 3,566,252

Other Receivables

Other receivables at June 30, 2015, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	$ 686,501	$ -	$ -	$ -	$ 686,501
Accounts receivable	128,936	859,647	23,492	313,569	1,325,644
Interest	4,358	6,581	4,546	6,327	21,812
Investment trades pending	14,835	-	-	9,080	23,915
Loans (2)	5,918	131,257	-	463,593	600,768
Long-term contracts (3)	3,546	-	17,962	97,842	119,350
Miscellaneous	15,684	78,671	-	39,972	134,327
Subtotals	859,778	1,076,156	46,000	930,383	2,912,317
Less: Allowance for uncollectible receivables	684,824	29,096	48	85,223	799,191
Total Other Receivables	$ 174,954	$ 1,047,060	$ 45,952	$ 845,160	$ 2,113,126

Notes:

(1) Public assistance receivables mainly represent amounts owed the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

(2) Significant long-term portions of loans receivable include $112.5 million in the Higher Education Special Revenue Fund for student loans and $451.9 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

(3) Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

Unearned Revenue

Unearned revenue at June 30, 2015, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 1,224	$ -	$ -	$ 24	$ 1,248
Charges for services	105,729	185,499	-	35,291	326,519
Child support	20,135	-	-	-	20,135
Donable goods	7	-	-	6,881	6,888
Grants and donations	3,671	1,584	-	8,832	14,087
Prepaid tolls	-	-	-	14,518	14,518
Seizure of forfeited assets	-	-	-	2,035	2,035
Miscellaneous	11,648	14,996	-	7,586	34,230
Total Unearned Revenue	$ 142,414	$ 202,079	$ -	$ 75,167	$ 419,660

Unavailable Revenue

Unavailable revenue at June 30, 2015, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 996,751	$ -	$ -	$ -	$ 996,751
Other taxes	425,888	9,631	-	254	435,773
Timber sales	3,546	-	17,962	97,842	119,350
Charges for services	-	-	-	51,835	51,835
Miscellaneous	5,000	-	-	623	5,623
Total Unavailable Revenue	$ 1,431,185	$ 9,631	$ 17,962	$ 150,554	$ 1,609,332

B. PROPRIETARY FUNDS

Other Receivables

Other receivables at June 30, 2015, consisted of the following (expressed in thousands):

Other Receivables	Business-Type Activities Enterprise Funds: Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
Accounts receivable	$ 816,544	$ 717,075	$ 291,545	$ 47,243	$ 19,910	$ 1,892,317	$ 17,817
Interest	112,356	-	935	4,741	-	118,032	418
Investment trades pending	5	-	-	1,655	-	1,660	1,398
Miscellaneous	12,184	-	16,617	-	8	28,809	269
Subtotals	941,089	717,075	309,097	53,639	19,918	2,040,818	19,902
Less: Allowance for uncollectible receivables	152,446	115,799	78,308	-	82	346,635	470
Total Other Receivables	$ 788,643	$ 601,276	$ 230,789	$ 53,639	$ 19,836	$ 1,694,183	$ 19,432

Unearned Revenue

Unearned revenue at June 30, 2015, consisted of the following (expressed in thousands):

Unearned Revenue	Business-Type Activities Enterprise Funds: Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
Charges for services	$ -	$ -	$ 52,479	$ -	$ -	$ 52,479	$ 2,566
Grants and donations	5,961	-	-	-	-	5,961	-
Other taxes	552	-	-	-	-	552	-
Miscellaneous	509	-	2,600	-	4	3,113	-
Total Unearned Revenue	$ 7,022	$ -	$ 55,079	$ -	$ 4	$ 62,105	$ 2,566

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2015, consisted of $9.5 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2015, consisted of $1.0 million for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5
Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2015, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 34,835	$ -	$ 194,420	$ 517
Higher Education Special Revenue	58,032	-	17	44,050	823
Higher Education Endowment	-	-	-	52	-
Nonmajor Governmental Funds	89,193	1,681	4,507	210,355	814
Workers' Compensation	11	-	-	90	-
Unemployment Compensation	1,174	1,677	-	14,810	15
Higher Education Student Services	407	2,963	-	11,637	244
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	8,793	514	-	2,658	113
Internal Service Funds	25,852	10,881	-	23,760	4,243
Fiduciary Funds	-	-	-	-	-
Totals	$ 183,462	$ 52,551	$ 4,524	$ 501,832	$ 6,769

Except as noted below, interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred.

Interfund balances include: (1) a $19.8 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next five years; (2) a $7.3 million loan between nonmajor governmental funds which is expected to be paid over the next seven years, and (3) a $126.4 million revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $51.1 million within the state's Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 2	$ 8	$ 137	$ 15,299	$ 9,570	$ -	$ 254,788
-	154,355	161	43	12,344	-	269,825
-	-	-	-	-	9	61
2,986	6	4	49	11,060	-	320,655
-	-	-	-	-	5	106
-	35	-	232	87	14	18,044
-	-	-	-	3,220	48	18,519
-	-	-	-	-	2	2
1	75	8	977	233	4	13,376
-	40	8	529	12,031	-	77,344
-	-	-	-	-	-	-
$ 2,989	$ 154,519	$ 318	$ 17,129	$ 48,545	$ 82	$ 972,720

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2015, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ -	$ 222	$ 1,103,708	$ -
Higher Education Special Revenue	28,041	-	499,126	206,591	-
Higher Education Endowment	-	649,887	-	34,933	-
Nonmajor Governmental Funds	309,173	246,851	628	1,427,287	-
Workers' Compensation	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	-	391,306	-	2,225	-
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	126,163	6,050	-	11,543	-
Internal Service Funds	2,210	14,671	-	1,329	-
Totals	$ 465,587	$ 1,308,765	$ 499,976	$ 2,787,616	$ -

Except as noted below, transfers are used to (1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, (2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move profits from the Lottery Fund as required by law, and (5) transfer amounts to and from the General Fund as required by law.

On June 30, 2015, $211.9 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. Additionally, the Legislature authorized the transfer from the BSA to the General Fund the amount attributable to extraordinary revenue growth of $37.9 million. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. The BSA is reported as an Administrative Account within the General Fund.

In addition to the transfers noted in the schedule above, there were transfers of $4.8 million within the state's Pension Trust Funds.

Transferred To					
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ -	$ -	$ -	$ -	$ 14,594	$ 1,118,524
-	400,955	-	-	11,191	1,145,904
-	-	-	-	-	684,820
-	-	-	-	4,080	1,988,019
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	32	393,563
-	-	-	-	-	-
-	-	-	12,804	-	156,560
-	-	-	-	26,080	44,290
$ -	$ 400,955	$ -	$ 12,804	$ 55,977	$ 5,531,680

Note 6
Capital Assets

Capital assets at June 30, 2015, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2015 (expressed in thousands):

Capital Assets	Balances July 1, 2014 *	Additions	Deletions/ Adjustments	Balances June 30, 2015
Capital assets, not being depreciated:				
Land	$ 2,571,351	$ 76,226	$ (22,200)	$ 2,625,377
Transportation infrastructure	22,416,792	818,243	-	23,235,035
Intangible assets - indefinite lives	12,914	2,024	-	14,938
Art collections, library reserves, and museum and historical collections	124,447	3,410	(1,562)	126,295
Construction in progress	906,261	541,820	(557,099)	890,982
Total capital assets, not being depreciated	26,031,765			26,892,627
Capital assets, being depreciated:				
Buildings	12,331,158	475,415	(18,189)	12,788,384
Accumulated depreciation	(4,629,158)	(336,125)	3,052	(4,962,231)
Net buildings	7,702,000			7,826,153
Other improvements	1,426,011	43,960	(6,159)	1,463,812
Accumulated depreciation	(682,463)	(50,606)	5,594	(727,475)
Net other improvements	743,548			736,337
Furnishings, equipment, and intangible assets	4,705,174	625,135	(206,574)	5,123,735
Accumulated depreciation	(3,191,916)	(278,214)	174,976	(3,295,154)
Net furnishings, equipment, and intangible assets	1,513,258			1,828,581
Infrastructure	962,088	56,688	(8,055)	1,010,721
Accumulated depreciation	(483,168)	(30,144)	2,116	(511,196)
Net infrastructure	478,920			499,525
Total capital assets, being depreciated, net	10,437,726			10,890,596
Governmental Activities Capital Assets, Net	$ 36,469,491			$ 37,783,223

* Beginning balances reflect the prior period adjustments by the Department of Transportation for assets not previously placed into inventory, which resulted in an increase in capital assets of $98.4 million and an increase in accumulated depreciation of $4.1 million.

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2015 (expressed in thousands):

Capital Assets	Balances July 1, 2014	Additions	Deletions/ Adjustments	Balances June 30, 2015
Capital assets, not being depreciated:				
Land	$ 60,752	$ -	$ (3,203)	$ 57,549
Intangible assets - indefinite lives	4,580	-	-	4,580
Art collections	35	40	-	75
Construction in progress	103,825	212,917	(23,992)	292,750
Total capital assets, not being depreciated	169,192			354,954
Capital assets, being depreciated:				
Buildings	3,263,882	18,730	(18,374)	3,264,238
Accumulated depreciation	(854,176)	(98,909)	967	(952,118)
Net buildings	2,409,706			2,312,120
Other improvements	97,959	693	(163)	98,489
Accumulated depreciation	(39,602)	(6,177)	42	(45,737)
Net other improvements	58,357			52,752
Furnishings, equipment, and intangible assets	675,028	51,207	(12,128)	714,107
Accumulated depreciation	(485,413)	(56,076)	11,091	(530,398)
Net furnishings, equipment, and intangible assets	189,615			183,709
Infrastructure	42,331	315	-	42,646
Accumulated depreciation	(19,055)	(1,407)	(192)	(20,654)
Net infrastructure	23,276			21,992
Total capital assets, being depreciated, net	2,680,954			2,570,573
Business-Type Activities Capital Assets, Net	$ 2,850,146			$ 2,925,527

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2015, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	79,798
Education - elementary and secondary (K-12)		6,276
Education - higher education		382,701
Human services		37,752
Adult corrections		44,653
Natural resources and recreation		34,716
Transportation		109,193
Total Depreciation Expense - Governmental Activities *	$	695,089
Business-Type Activities:		
Workers' compensation	$	7,184
Unemployment compensation		-
Higher education student services		154,028
Guaranteed education tuition program		2
Other		1,355
Total Depreciation Expense - Business-Type Activities	$	162,569

* Includes $97.2 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2015, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2015	Remaining Project Commitments
Department of Commerce:		
Pacific Tower renovations	$ 11,704	$ -
Consolidated Technology Services:		
State Data Center buildout	11,053	1,808
Employment Security Department		
Unemployment Tax & Benefit system and other projects	6,107	18,339
Department of Enterprise Services:		
1063 Building project	5,459	77,017
Various projects	25,380	30,002
Military Department		
Pierce County readiness center and other projects	13,178	25,670
Department of Social and Health Services:		
Residential housing unit renovations and other projects	33,141	4,947
Department of Veterans Affairs:		
Walla Walla Veterans Home, Eastern Washington State Cemetery, and other projects	11,319	43,034
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	15,907	16,045
Department of Transportation:		
State ferry vessels and terminals, locomotives, and other projects	120,480	104,688
Transportation infrastructure	-	1,382,028
Department of Fish and Wildlife:		
Voights Creek hatchery, Soos Creek, Fir Island farm restoration, and other projects	19,100	57,971
University of Washington:		
Hec Ed student services and Graves renovation projects	2,132	1,031
UW Medical Center expansion and renovation projects	101,993	20,252
Maple and Terry Hall renovations, Lander Hall replacement,	108,578	12,775
NanaEngineering & Sciences building, animal research and care facility, UW police department, and other projects	156,133	119,646
Burke Gilman trail and other parking projects	3,542	3,330
Washington State University:		
Clean technology laboratory, animal health research facility, digital classroom, Spokane teaching health center, and other facility projects	65,079	126,541
Baily-Brayton field clubhouse and indoor practice facility projects	66	10,057
Cultural house, Tri Cities student union and other projects	577	17,215
Chief Joseph Village renovation, global scholars, and other housing projects	48,324	50,882
Police station, smart grid, Vancouver parking lot, and other projects	4,943	8,864
Eastern Washington University:		
Pence union building renovation, science center, water system upgrade, and other projects	3,756	14,055
Central Washington University:		
Getz-Short renovation, Samuel communication & technology center, and other projects	5,229	6,055
Science hall phase two project	32,921	30,741
The Evergreen State College:		
Science center lab 1 & 2, and other projects	6,455	1,925
Western Washington University:		
Carver Hall renovation, housing and dining, and other projects	21,995	12,586
Community and Technical Colleges:		
ctcLink project	66,744	33,256
Green River Trades & Industry, Auburn center, and student center replacement projects	52,938	17,458
Lower Columbia Health and Science building, and fitness center project	44,067	2,471
Grays Harbor Schermer project	41,195	1,617
Edmonds SET building project	1,838	47,841
Tacoma health careers center and health & wellness center projects	33,800	14,500
Other miscellaneous community college projects	87,498	92,362
Other Agency Projects	21,101	17,556
Total Construction in Progress	$ 1,183,732	$ 2,424,565

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2015, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The State Constitution and enabling statutes authorize the incurrence of state general obligation debt, to which the state's full faith, credit, and taxing power are pledged, either by the Legislature or by a body designated by statute (presently the State Finance Committee).

Legislative authorization arises:

- From an affirmative vote of 60 percent of the members of each house of the Legislature, without voter approval, in which case the amount of such debt is generally subject to the constitutional debt limitation described below;
- When authorized by law for a distinct work or object and approved by a majority of the voters voting thereon at a general election, or a special election called for that purpose, in which case the amount of the debt so approved is not subject to the constitutional debt limitations described below;
- By the State Finance Committee without limitation as to amount, and without approval of the Legislature or approval of the voters.

The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) meeting temporary deficiencies of the state treasury if such debt is discharged within 12 months of the date of incurrence and is incurred only to provide for appropriations already made by the Legislature; or (2) refunding of outstanding obligations of the state.

Legal Debt Limitation

The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.5 percent and will decline to 8 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

The State Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2015 is $1.26 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the $18.77 billion general obligation bond debt principal outstanding at June 30, 2015, $11.16 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2015, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at:
http://www.tre.wa.gov/documents/debt_cd2015.pdf
or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $5.61 billion in general obligation bonds authorized but unissued as of June 30, 2015, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds range from 0.2 to 6.4 percent. Interest rates on revenue bonds range from 0.5 to 7.4 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

General obligation bonds have been authorized and issued primarily to provide funds for:

- Acquisition and construction of state and common school capital facilities;
- Transportation construction and improvement projects;
- Assistance to local governments for public works capital projects; and
- Refunding of general obligation bonds outstanding.

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report for 2015. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963, or by visiting their website at: http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2015, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2016	$ 892,262	$ 894,477	$ 4,050	$ 110	$ 896,312	$ 894,587
2017	917,539	885,722	-	-	917,539	885,722
2018	909,284	844,404	-	-	909,284	844,404
2019	906,459	807,091	-	-	906,459	807,091
2020	908,437	772,419	-	-	908,437	772,419
2021-2025	4,506,094	3,104,095	-	-	4,506,094	3,104,095
2026-2030	4,376,413	2,079,821	-	-	4,376,413	2,079,821
2031-2035	3,378,305	881,025	-	-	3,378,305	881,025
2036-2040	1,729,340	260,724	-	-	1,729,340	260,724
2041-2045	238,045	12,584	-	-	238,045	12,584
Total Debt Service Requirements	$ 18,762,178	$ 10,542,362	$ 4,050	$ 110	$ 18,766,228	$ 10,542,472

Revenue Bonds

Revenue bonds are authorized under current state statutes, which provide for the issuance of bonds that are not supported, or not intended to be supported, by the full faith and credit of the state.

General Revenue.
The University of Washington and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2015, include $698.4 million in governmental activities and $1.36 billion in business-type activities.

Pledged Revenue.
The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2015, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2016	$ 113,487	$ 100,646	$ 89,178	$ 87,632	$ 202,665	$ 188,278
2017	114,078	101,272	53,005	85,757	167,083	187,029
2018	113,030	95,803	55,603	83,706	168,633	179,509
2019	118,468	90,359	57,293	81,310	175,761	171,669
2020	122,443	84,654	58,823	78,805	181,266	163,459
2021-2025	686,194	327,376	316,349	349,651	1,002,543	677,027
2026-2030	312,165	205,446	336,844	270,002	649,009	475,448
2031-2035	281,417	129,472	328,421	186,768	609,838	316,240
2036-2040	238,159	66,019	362,778	100,360	600,937	166,379
2041-2045	113,635	23,070	195,529	17,546	309,164	40,616
2046-2050	62,669	9,469	-	-	62,669	9,469
2051-2055	13,689	736	-	-	13,689	736
Total Debt Service Requirements	$ 2,289,434	$ 1,234,322	$ 1,853,823	$ 1,341,537	$ 4,143,257	$ 2,575,859

Governmental activities include revenue bonds outstanding at June 30, 2015, of $273.2 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $407.2 million, payable through 2033. For the current year, both pledged revenue and debt service were $47.4 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2015, of $786.3 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the costs of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is $997.5 million, payable through 2024. For the current year both pledged revenue and debt service were $39.1 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2015, of $195.2 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

The TIFIA Bond is payable solely from toll revenues and does not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of this bond. Total principal and interest remaining on the bond is $347.2 million, payable through 2051.

Governmental activities include revenue bonds outstanding at June 30, 2015, of $43.4 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $59.7 million, payable through 2029. For the current year, both pledged revenue and debt service were $999 thousand.

Governmental activities include revenue bonds outstanding at June 30, 2015, of $286.8 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $517.5 million, payable through 2039. For the current year, both pledged revenue and debt service were $21.6 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2015, of $6.1 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $7.0 million, payable through 2022. For the current year, both pledged revenue and debt service were $1.6 million.

The state's colleges and universities may also issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues. These bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2015, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Bookstore Revenues
Current revenue pledged	$ 27,812	$ 27,727	$ 82
Current year debt service	18,930	11,547	202
Total future revenues pledged *	349,838	190,956	3,842
Description of debt	Housing and dining bonds issued in 1998-2015	Student facilities bonds issued in 2006-2015	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining	Construction and renovation of student activity and sports facilities	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2026-2042	2031-2039	2034
Percentage of debt service to pledged revenues (current year)	68.1%	41.7%	246.4%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2015, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2015, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2016	$ 121,143	$ 34,652	$ 4,302	$ 1,230	$ 125,445	$ 35,882
2017	55,050	19,271	4,306	1,507	59,356	20,778
2018	52,161	17,065	4,080	1,335	56,241	18,400
2019	46,956	14,941	3,673	1,169	50,629	16,110
2020	42,078	13,024	3,291	1,019	45,369	14,043
2021-2025	144,951	42,856	11,337	3,352	156,288	46,208
2026-2030	95,996	14,035	7,509	1,098	103,505	15,133
2031-2035	17,288	1,055	1,352	83	18,640	1,138
Total Debt Service Requirements	$ 575,623	$ 156,899	$ 39,850	$ 10,793	$ 615,473	$ 167,692

C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

Current Year Defeasances

Bonds

Governmental Activities.
On July 9, 2014, the state issued $420.5 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 4.9 percent to refund $443.5 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.8 percent. The refunding resulted in a $37.8 million gross debt service savings over the next 12 years and a net present value savings of $29.8 million.

Also on July 9, 2014, the state issued $420.1 million of various purpose general obligation refunding bonds with an average interest rate of 4.8 percent to refund $438.5 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $38.0 million gross debt service savings over the next 12 years and a net present value savings of $30.5 million.

On November 6, 2014, the state issued $301.8 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $328.0 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $53.0 million gross debt service savings over the next 18 years and a net present value savings of $40.9 million.

Also on November 6, 2014, the state issued $616.0 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $675.8 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $119.6 million gross debt service savings over the next 18 years and a net present value savings of $95.7 million.

On February 4, 2015, the state issued $458.8 million in various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $492.3 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $54.8 million gross debt service savings over the next 18 years and a net present value savings of $45.3 million.

On March 4, 2015, the state issued $147.3 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $155.7 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $14.8 million gross debt service savings over the next 16 years and a net present value savings of $12.0 million.

Also on March 4, 2015, the state issued $132.7 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 4.8 percent to refund $144.2 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.5 percent. The refunding resulted in a $17.8 million gross

debt service savings over the next 16 years and a net present value savings of $11.4 million.

Also on March 4, 2015, the state issued $113.3 million of various purpose general obligation refunding bonds with an average interest rate of 4.6 percent to refund $120.6 million of various purpose general obligation bonds with an average interest rate of 4.5 percent. The refunding resulted in a $10.7 million gross debt service savings over the next 13 years and a net present value savings of $9.1 million.

Business-Type Activities.
On August 21, 2014, the Washington Biomedical Research Properties II, a blended component unit of the University of Washington, issued $115.7 million in lease revenue refunding bonds with an average interest rate of 4.5 percent to refund $118.9 million of lease revenue bonds with an average interest rate of 5 percent. The refunding resulted in a $15.0 million gross debt service savings over the next 12 years and an economic gain of $12.6 million.

On March 4, 2015, the University of Washington issued $176.1 million in general revenue refunding bonds with an average interest rate of 4.4 percent to refund $190.2 million of business-type activity lease revenue bonds with an average interest rate of 5 percent. The refunding resulted in a $75.0 million gross debt service savings over the next 15 years and an economic gain of $38.1 million.

On March 4, 2015, Western Washington University issued $13.4 million in housing and dining refunding bonds with an average interest rate of 4 percent to refund $15.2 million of housing and dining revenue bonds with an average interest rate of 6 percent. The refunding resulted in a $1.9 million gross debt service savings over the next 12 years and an economic gain of $1.6 million.

On March 11, 2015, Washington State University issued $64.5 million in general revenue refunding bonds with an average interest rate of 5% to refund $13.0 million in housing and dining revenue bonds with an average interest rate of 4.3%, $5.7 million in parking revenue bonds with an average interest rate of 4.3%, and $53.4 million in student fees revenue bonds with an average interest rate of 5%. The refunding resulted in an $11.0 million gross debt service savings over the next 9 to 24 years and an economic gain of $8.5 million.

Prior Year Defeasances

In prior years, the state defeased certain general obligation bonds, revenue bonds, and certificates of participation by placing the proceeds of new bonds and certificates in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates.

Accordingly, the trust account assets and the liability for the defeased bonds and certificates are not included in the state's financial statements.

General Obligation Bond Debt

On June 30, 2015, $3.82 billion of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2015, $306.4 million of revenue bonded debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2015, $44.8 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2015, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings, and equipment under capital leases as of June 30, 2015, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 1,705	$ 4,512
Equipment	8,468	14,840
Less: Accumulated Depreciation	(5,750)	(10,174)
Totals	$ 4,423	$ 9,178

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2015 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2016	$ 1,553	$ 2,850	$ 178,497	$ 28,513
2017	1,134	2,794	140,827	26,155
2018	520	2,002	112,507	21,250
2019	514	1,516	86,455	11,190
2020	498	1,383	46,581	10,452
2021-2025	1,608	3,814	115,095	34,517
2026-2030	-	-	29,543	22,487
2031-2035	-	-	15,878	22,175
2036-2040	-	-	12,817	24,505
2041-2045	-	-	8,991	24,783
Total Future Minimum Payments	5,827	14,359	747,191	226,027
Less: Executory Costs and Interest Costs	(386)	(1,409)	-	-
Net Present Value of Future Minimum Lease Payments	$ 5,441	$ 12,950	$ 747,191	$ 226,027

The total operating lease rental expense for fiscal year 2015 for governmental activities was $354.7 million, of which $231 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2015 for business-type activities was $35.8 million.

E. CLAIMS AND JUDGMENTS

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation is a business-type activity, and risk management and health insurance are governmental activities. A description of the risks to which the state is exposed by these activities, and the ways in which the state handles the risks, is presented in Note 1.E.

Workers' Compensation

At June 30, 2015, $36.12 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $25.07 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 4.5 to 6.4 percent (pensions not yet granted), and 6.4 percent (granted pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $25.07 billion as of June 30, 2015, include $11.83 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of $13.23 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2014 and 2015 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2014	$ 23,627,560	2,953,508	(2,143,534)	$ 24,437,534
2015	$ 24,437,534	2,814,134	(2,185,519)	$ 25,066,149

Risk Management

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except the University of Washington. The fund reports a tort liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for tort claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense.

Because actual liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic or social factors.

The state is a defendant in a significant number of lawsuits pertaining to general and automobile liability matters.

As of June 30, 2015, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division, including actuarially projected defense costs were $579.9 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2015, the Risk Management Fund held $60.8 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2014 and 2015 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2014	$ 542,709	74,760	(48,488)	(18,993)	$ 549,988
2015	$ 549,988	110,648	(59,621)	(21,087)	$ 579,928

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2015, health insurance claims liabilities totaling $73.6 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2014 and 2015 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2014	$ 59,873	856,230	(845,854)	$ 70,249
2015	$ 70,249	934,082	(930,724)	$ 73,607

F. POLLUTION REMEDIATION

The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology, and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 27 projects in progress for which the state has recorded a liability of $70.7 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2015, the state has recorded a liability of $99.0 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $169.7 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

The pollution remediation activity at some sites for which the state would otherwise have a reportable obligation is at a point where certain costs are not reasonably estimable. For example, a site assessment, remedial investigation, or feasibility study is in progress and the cleanup methodology has not yet been determined; consequently, associated future costs cannot be estimated.

The state's reported liability does not include remediation costs for future activities where costs are not yet reasonably estimable.

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2015, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2015 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2014 *	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,397,375	$ 3,464,175	$ 3,618,030	$ 18,243,520	$ 845,260
GO - zero coupon bonds (principal)	556,942	-	38,284	518,658	47,002
Subtotal - GO bonds payable	18,954,317	3,464,175	3,656,314	18,762,178	892,262
Accreted interest - GO - zero coupon bonds	415,936	56,015	-	471,951	46,372
Revenue bonds payable	1,987,810	358,420	56,796	2,289,434	113,487
Plus: Unamortized issuance premiums	33,284	652,415	25,688	660,011	-
Total Bonds Payable	21,391,347	4,531,025	3,738,798	22,183,574	1,052,121
Other Liabilities:					
Certificates of participation	569,885	69,672	63,934	575,623	121,143
Plus: Deferred issuance premiums	-	5,645	833	4,812	-
Claims and judgments	762,934	168,471	67,276	864,129	295,105
Installment contracts	2,185	-	2,185	-	-
Leases	8,526	172	3,257	5,441	1,490
Compensated absences	549,417	351,998	348,478	552,937	63,647
Net pension liability	4,557,121	553,718	1,813,537	3,297,302	-
Other postemployment benefits obligations	1,720,545	384,249	-	2,104,794	-
Pollution remediation obligations	164,839	26,327	21,468	169,698	-
Unclaimed property refunds	100,779	29,878	1	130,656	-
Other	461,594	143,727	35,663	569,658	-
Total Other Liabilities	8,897,825	1,733,857	2,356,632	8,275,050	481,385
Total Long-Term Debt	$ 30,289,172	$ 6,264,882	$ 6,095,430	$ 30,458,624	$ 1,533,506

* Beginning balances have been adjusted as follows: a $4.16 billion increase to net pension liability as a result of implementing GASB Statement No. 68; a $127.0 million increase to properly reclassify outstanding revenue bonds payable from business type activities to governmental activities; and a $9.4 million increase to other long-term obligations to record previously unrecorded obligations.

For governmental activities, certificates of participation are being repaid approximately 18 percent from the General Fund, 35 percent from the Higher Education Special Revenue Fund, 18 percent from the Wildlife and Natural Resources (a nonmajor special revenue fund), 17 percent from the Motor Vehicle (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 42 percent by the General Fund, 35 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 67 percent by the Risk Management Fund (an internal service fund), 10 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The other postemployment benefits obligations liability will be liquidated approximately 45 percent by the General Fund, 31 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 58 percent by the Wildlife and Natural Resources Fund (a nonmajor governmental fund), and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2015 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2014 *	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Long-Term Debt:					
General obligation bonds payable	$ 7,870	$ -	$ 3,820	$ 4,050	$ 4,050
Revenue bonds payable	2,009,431	658,671	814,279	1,853,823	89,178
Plus: Unamortized issuance premiums	100,203	53,300	16,021	137,482	-
Less: Deferred issuance discounts	(149)	54	-	(95)	-
Total Bonds Payable	2,117,355	712,025	834,120	1,995,260	93,228
Other Liabilities:					
Certificates of participation	35,328	10,386	5,864	39,850	4,302
Plus: Deferred issuance premiums	2,414	-	281	2,133	-
Claims and judgments	24,447,479	1,147,338	514,313	25,080,504	1,964,234
Lottery prize annuities payable	149,840	89,536	109,470	129,906	20,129
Tuition benefits payable	2,767,000	47,000	772,000	2,042,000	220,000
Leases	15,335	-	2,385	12,950	2,463
Compensated absences	68,671	32,773	23,942	77,502	45,807
Net pension liability	521,589	45,701	204,314	362,976	-
Other postemployment benefits obligations	174,022	44,072	-	218,094	-
Other	41,849	125,037	25,071	141,815	-
Total Other Liabilities	28,223,527	1,541,843	1,657,640	28,107,730	2,256,935
Total Long-Term Debt	$ 30,340,882	$ 2,253,868	$ 2,491,760	$ 30,102,990	$ 2,350,163

* Beginning balances have been adjusted as follows: a $521.6 million increase to net pension liability as a result of implementing GASB Statement No. 68 and a $127.0 million decrease to properly reclassify outstanding revenue bonds payable from business type activities to governmental activities.

Note 8
No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

These bonds do not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their full faith and credit for the payment of such bonds.

Debt service on the bonds is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the bonds issued by these financing authorities are excluded from the state's financial statements.

The schedule below presents the June 30, 2015, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 3,419,567
Washington Higher Education Facilities Authority	759,833
Washington Health Care Facilities Authority	5,609,000
Washington Economic Development Finance Authority	682,472
Total No Commitment Debt	**$ 10,470,872**

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2015, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 2,123,387	$ 202,944	$ 2,326,331
Consumable inventories	13,550	10,919	-	43,637	68,106
Investments	-	35,339	71,231	116	106,686
Other receivables – long-term	33,803	-	-	-	33,803
Total Nonspendable Fund Balance	$ 47,353	$ 46,258	$ 2,194,618	$ 246,697	$ 2,534,926
Restricted for: *					
Higher education	$ -	$ 606	$ 1,266,076	$ 210,050	$ 1,476,732
Education	-	-	5,349	23,987	29,336
Transportation	-	-	-	711,931	711,931
Other purposes	683	-	-	6,054	6,737
Human services	-	-	375	468,375	468,750
Wildlife and natural resources	18,890	-	-	913,494	932,384
Local grants and loans	-	-	-	260	260
School construction	627	-	-	47,867	48,494
State facilities	-	-	-	1,883	1,883
Budget stabilization	513,079	-	-	-	513,079
Debt service	-	-	-	66,726	66,726
Pollution remediation	-	-	-	99,559	99,559
Operations and maintenance	-	-	-	7,799	7,799
Repair and replacement	-	-	-	3,403	3,403
Third tier debt service	-	-	-	2,186	2,186
Total Restricted Fund Balance	$ 533,279	$ 606	$ 1,271,800	$ 2,563,574	$ 4,369,259
Committed for:					
Higher education	$ 73,261	$ 2,765,816	$ -	$ 37,770	$ 2,876,847
Education	23	-	-	2,242	2,265
Transportation	-	-	-	212,881	212,881
Other purposes	10,494	-	-	279,137	289,631
Human services	9,429	-	-	753,341	762,770
Wildlife and natural resources	12,460	-	-	395,521	407,981
Local grants and loans	-	-	-	1,098,693	1,098,693
State facilities	-	-	-	528	528
Debt service	-	-	-	314,397	314,397
Total Committed Fund Balance	$ 105,667	$ 2,765,816	$ -	$ 3,094,510	$ 5,965,993
Assigned for:					
Working capital	$ 1,014,952	$ 16,060	$ -	$ -	$ 1,031,012
Total Assigned Fund Balance	$ 1,014,952	$ 16,060	$ -	$ -	$ 1,031,012

*Net position restricted as a result of enabling legislation totaled $8.5 million.

B. BUDGET STABILIZATION ACCOUNT

In accordance with Article 7, Section 12 of the Washington State Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) if the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2015, the Budget Stabilization Account had restricted fund balance of $513.1 million.

Note 10
Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $71.8 million at June 30, 2015. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

The Data Processing Revolving Fund is supported by user charges. Due to budgetary considerations, user rates are designed to cover cash outflows including debt service as opposed to the full cost of services which includes depreciation. Since the Data Processing Revolving Fund reports a debt-financed building, this funding approach has an impact on net position. Debt service allocates principal retirement on a straight line basis while depreciation on the fund's building is componentized which accelerates expense in the early years of the building's life. As a result, the fund reports both an operating loss and a negative net investment in capital assets.

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2015 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2014 *	$ (39,963)
Fiscal year 2015 activity	(31,853)
Balance, June 30, 2015	$ (71,816)

* Beginning balance reflects the prior period adjustment of $41.6 million related to the implementation of GASB Statement No. 68.

Higher Education Revolving Fund

The Higher Education Revolving Fund, an internal service fund, had a deficit net position of $2.5 million at June 30, 2015. The Higher Education Revolving Fund is used to manage college and university support service activities such as stores, data processing, and motor pool. Additionally, beginning in fiscal year 2015, the University of Washington is using the Higher Education Revolving Fund to allocate costs associated with its higher education supplemental retirement plan.

The Higher Education Revolving Fund is primarily supported by user charges and interest earnings. During fiscal year 2015, the University of Washington's supplemental retirement plan obligation exceeded the associated revenue, resulting in a deficit net position.

The following schedule details the change in net position for the Higher Education Revolving Fund during the fiscal year ended June 30, 2015 (expressed in thousands):

Higher Education Revolving Fund	Net Position
Balance, July 1, 2014 *	$ 38,158
Fiscal year 2015 activity	(40,615)
Balance, June 30, 2015	$ (2,457)

* Beginning balance reflects the prior period adjustment of $31.7 million related to the implementation of GASB Statement No. 68, and a $1.5 million adjustment to properly record employee benefits of the University of Washington.

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $523.2 million at June 30, 2015. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

The Risk Management Fund is supported by premium assessments to state agencies. The state is restricted by law from accumulating funds in the SILP in excess of 50 percent of total outstanding and actuarially determined claims. As a consequence, when outstanding and incurred but not reported claims are actuarially determined and accrued, the result is a deficit net position.

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2015 (expressed in thousands):

Risk Management Fund	Net Position
Balance, July 1, 2014	$ (486,165)
Fiscal year 2015 activity	(37,046)
Balance, June 30, 2015	$ (523,211)

State Facilities Fund

The State Facilities Fund, a capital projects fund, had a deficit fund balance of $165.5 million at June 30, 2015. The State Facilities Fund is used to pay for various capital projects throughout the state.

The State Facilities Fund is primarily supported by bond proceeds, income from property, and sales of property. Costs were incurred during fiscal year 2015 but the bonds to support these projects were not issued until after June 30, 2015, resulting in a deficit fund balance.

The following schedule details the change in fund balance for the State Facilities Fund during the fiscal year ended June 30, 2015 (expressed in thousands):

State Facilities Fund	Net Position
Balance, July 1, 2014 *	$ 210,592
Fiscal year 2015 activity	(376,065)
Balance, June 30, 2015	$ (165,473)

* Beginning balance reflects the prior period adjustment of $14.4 million due to a fund reclassification.

Note 11
Retirement Plans

A. GENERAL

The state implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the state has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the state as an employer, for fiscal year 2015, expressed in thousands:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	3,252,383
Pension assets	$	(1,625,168)
Deferred outflows of resources related to pensions	$	524,011
Deferred inflows of resources related to pensions	$	2,101,352
Pension expense/expenditures	$	143,218

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3B.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and three defined benefit/defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- School Employees' Retirement System (SERS)
  Plan 2 - defined benefit
  Plan 3 - defined benefit/defined contribution

- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  Plan 1 - defined benefit
  Plan 2 - defined benefit

- Public Safety Employees' Retirement System (PSERS)
  Plan 2 - defined benefit

- Washington State Patrol Retirement System (WSPRS)
  Plan 1 - defined benefit
  Plan 2 - defined benefit

- Judicial Retirement System (JRS)
  Defined benefit plan

- Judges' Retirement Fund (Judges)
  Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS, systems and plans was funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of those political subdivisions that elect to participate, a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the GASB. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report/.

State Board for Volunteer Fire Fighters and Reserve Officers. As established in chapter 41.24 RCW, the State Board for Volunteer Fire Fighters and Reserve Officers administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

Administrative Office of the Courts. As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans – Employer Disclosures

The state is not an employer in SERS Plan 2/3 nor LEOFF Plan 1.

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan

3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section E of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employement. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could chose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established memebership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2015 are presented in the table in section B.3 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.7 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the

long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2015, the state reported $2.13 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $995.9 million for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 42.37 percent, an increase of 0.2 percent since the prior reporting period, and 49.27 percent for PERS Plan 2/3, an increase of 0.62 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands).

PERS Plan 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	2,630,597
Current Discount Rate	$	2,134,189
1% Increase	$	1,708,072

PERS Plan 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	4,153,930
Current Discount Rate	$	995,856
1% Increase	$	(1,416,324)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a PERS Plan 1 pension expense of $127.2 million, and recognized a PERS Plan 2/3 pension expense of $165.7 million. At June 30, 2015, PERS Plan 1 and PERS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	266,868
Change in proportion	-	-
State contributions subsequent to the measurement date	192,106	-
Total	$ 192,106	$ 266,868

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,055,617
Change in proportion	20,488	-
State contributions subsequent to the measurement date	219,054	-
Total	$ 239,542	$ 1,055,617

For PERS Plan 1, $192.1 million, and for PERS Plan 2/3, $219.1 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PERS Plan 1		
2016	$	(66,717)
2017	$	(66,717)
2018	$	(66,717)
2019	$	(66,717)
2020	$	-
Thereafter	$	-

PERS Plan 2/3		
2016	$	(258,050)
2017	$	(258,050)
2018	$	(258,050)
2019	$	(260,979)
2020	$	-
Thereafter	$	-

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to section E of this note for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan.

TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employement. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could chose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established memebership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from TRS-covered employment.

TRS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2015 are presented in the table in section B.3 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to the June 30, 2014, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.7 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2015, the state reported a liability of $22.9 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $1.9 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 0.78 percent, an increase of 0.02 percent since the prior reporting period, and 0.59 percent for TRS Plan 2/3, an increase of 0.16 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands).

TRS Plan 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	29,499
Current Discount Rate	$	22,924
1% Increase	$	17,279

TRS Plan 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	16,631
Current Discount Rate	$	1,913
1% Increase	$	(9,026)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a TRS Plan 1 pension expense of $1.9 million, and recognized a TRS Plan 2/3 pension expense of $1.6 million. At June 30, 2015, TRS Plan 1 and TRS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,020
Change in proportion	-	-
State contributions subsequent to the measurement date	1,921	-
Total	$ 1,921	$ 4,020

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,391
Change in proportion	1,410	-
State contributions subsequent to the measurement date	1,933	-
Total	$ 3,343	$ 4,391

For TRS Plan 1, $1.9 million, and for TRS Plan 2/3, $1.9 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

TRS Plan 1		
2016	$	(1,005)
2017	$	(1,005)
2018	$	(1,005)
2019	$	(1,005)
2020	$	-
Thereafter	$	-

TRS Plan 2/3		
2016	$	(791)
2017	$	(791)
2018	$	(791)
2019	$	(791)
2020	$	183
Thereafter	$	-

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members have the option to retire early with reduced benefits.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2014, the state contributed $55.6 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2015 are presented in the table in section B.3 of this note.

The state is not an employer in LEOFF Plan 1 plan; however, the state is a nonemployer contributing entity for LEOFF Plan 1. For LEOFF Plan 2 the state is both an employer and a nonemployer contributing entity. Refer to Section B.2 of this note for nonemployer contributing entity disclosures.

The following information applies to the state as a LEOFF Plan 2 employer.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to the June 30, 2014, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to

fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.7 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2015, the state reported an asset of $11.2 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.84 percent, a decrease of 0.01 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands).

LEOFF Plan 2 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	4,782
Current Discount Rate	$	(11,175)
1% Increase	$	(23,151)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a LEOFF Plan 2 pension expense of $(554) thousand. At June 30, 2015, LEOFF Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,913
Change in proportion	15	-
State contributions subsequent to the measurement date	1,250	-
Total	$ 1,265	$ 5,913

For LEOFF Plan 2, $1.3 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 2		
2016	$	(1,475)
2017	$	(1,475)
2018	$	(1,475)
2019	$	(1,475)
2020	$	2
Thereafter	$	-

Public Safety Employees' Retirement System

Plan Description. The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, Washington State Patrol, Washington state counties, corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane, or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Benefits Provided. PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PSERS members have the option to retire early with reduced benefits.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2015 are presented in the table in section B.3 of this note.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to the June 30, 2014, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of

information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.7 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2015, the state reported an asset of $7.0 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 48.26 percent, an increase of 0.36 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands).

PSERS Plan 2 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	39,052
Current Discount Rate	$	(6,988)
1% Increase	$	(39,678)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a PSERS Plan 2 pension expense of $9.2 million. At June 30, 2015, PSERS Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,425
Change in proportion	16	-
State contributions subsequent to the measurement date	8,965	-
Total	$ 8,981	$ 10,425

For PSERS Plan 2, $9.0 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PSERS Plan 2	
2016	$ (2,603)
2017	$ (2,603)
2018	$ (2,603)
2019	$ (2,603)
2020	$ 3
Thereafter	$ -

Washington State Patrol Retirement System

Plan Description. The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer, defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

For membership information refer to the table presented in Section B.3 of this note.

Benefits Provided. WSPRS plans provide retirement and death benefits to eligible members.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with no minimum required service credit, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts the employee and the state contribution rates, subject to revision by the Legislature. The preliminary employee and the state contribution rates are developed by the Office of the State Actuary to fully fund the plan. The methods used to determine contribution requirements are established under state statute.

Members in WSPRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from WSPRS-covered employment.

Required contribution rates for fiscal year 2015 are presented in the table in section B.3 of this note.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to the June 30, 2014, measurement date using the following actuarial

assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.7 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Refer to the table in section B.3 of this note for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2015, the state reported a net pension asset of $26.0 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension

liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands).

WSPRS Plan 1/2 Net Pension Liability (Asset)		
1% Decrease	$	156,101
Current Discount Rate	$	(26,003)
1% Increase	$	(168,669)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a WSPRS pension expense of $(5.4) million. At June 30, 2015, the WSPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	85,154
Change in proportion	-	-
State contributions subsequent to the measurement date	6,680	-
Total	$ 6,680	$ 85,154

For WSPRS 1/2, $6.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

WSPRS Plan 1/2		
2016	$	(21,288)
2017	$	(21,288)
2018	$	(21,288)
2019	$	(21,290)
2020	$	-
Thereafter	$	-

Judges' Retirement Fund

Plan Description. The Judges' Retirement Fund was created by the Legislature on March 22, 1937 to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

Judges' Retirement Fund is a single-employer, defined benefit retirement system. There are currently no active members in this plan. For membership information refer to the table presented in Section B.3 of this note.

Benefits Provided. Judges' Retirement Fund provides retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System.

Contributions. There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in statute. By statute, employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state.

Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2014, no such appropriations or contributions were made.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional

mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. Contributions are made to the Judges' Retirement Fund to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 4.29 percent for the June 30, 2014 measurement date. Refer to the table in section B.3 of this note for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2015, the state reported a net pension liability of $2.2 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 4.29 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate (expressed in thousands).

Judges' Net Pension Liability (Asset)		
1% Decrease	$	2,358
Current Discount Rate	$	2,191
1% Increase	$	2,075

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a Judges' Retirement Fund pension expense of $98 thousand. At June 30, 2015, the Judges' Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Judges'	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	32	-
Change in proportion	-	-
State contributions subsequent to the measurement date	-	-
Total	$ 32	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

Judges'		
2016	$	8
2017	$	8
2018	$	8
2019	$	8
2020	$	-
Thereafter	$	-

Judicial Retirement System

Plan Description. The Judicial Retirement System (JRS) was established by the Legislature in 1971. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System. For membership information refer to the table presented in Section B.3 of this note.

Benefits Provided. JRS provides retirement, disability, and death benefits to eligible members.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service. The system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Contributions. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Past contributions were made based on rates set in statute. By statute, employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state.

JRS member contributions to the plan are not refundable.

The state guarantees the solvency of JRS on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2014, the state contributed $10.6 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to the June 30, 2014, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. Contributions are made to JRS to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 4.29 percent for the June 30, 2014, measurement date.

Refer to the table in section B.3 of this note for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2015, the state reported a net pension liability of $95.3 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 4.29 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate (expressed in thousands).

JRS Net Pension Liability (Asset)		
1% Decrease	$	104,668
Current Discount Rate	$	95,310
1% Increase	$	87,377

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state recognized a JRS pension expense of $4.2 million. At June 30, 2015, JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Change in proportion	122	-
State contributions subsequent to the measurement date	10,600	-
Total	$ 10,722	$ -

For JRS, $10.6 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

JRS		
2016	$	31
2017	$	31
2018	$	30
2019	$	30
2020	$	-
Thereafter	$	-

2. DRS Plans – Nonemployer Contributing Entity Disclosures

For fiscal year 2015, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Section B.1 of this note provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

Basis for Nonemployer Contributing Entity Contributions. LEOFF Plan 1 has a net pension asset as of the June 30, 2014 measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2014, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2014, measurement date. In this plan, the state is an employer and also a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2014, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.52 percent based on total plan contributions received in fiscal year 2014.

Collective Net Pension Liability/(Asset). At June 30, 2015, the state as nonemployer contributing entity reported a net pension asset of $1.06 billion and $524.4 million for its proportionate share of the collective net pension asset for LEOFF Plan 1 and LEOFF Plan 2 respectively. The nonemployer contributing entity's proportion for LEOFF Plan 1 was 87.12 percent, the same as the prior reporting period, and 39.52 percent for LEOFF Plan 2, a decrease of 0.20 percent. The proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2014 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.5 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands).

LEOFF Plan 1 Nonemployer contributing entity proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	(661,311)
Current Discount Rate	$	(1,056,583)
1% Increase	$	(1,392,526)

LEOFF Plan 2 Nonemployer contributing entity proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	224,422
Current Discount Rate	$	(524,419)
1% Increase	$	(1,086,375)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the state as nonemployer contributing entity recognized $(134.6) million pension expense for LEOFF Plan 1 and $(25.9) million pension expense for LEOFF Plan 2.

At June 30, 2015, the state as nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	391,493
Change in proportion	-	-
State contributions subsequent to the measurement date	52	-
Total	$ 52	$ 391,493

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	277,471
Change in proportion and difference between state contributions and proportionate share of contributions	693	-
State contributions subsequent to the measurement date	58,674	-
Total	$ 59,367	$ 277,471

For LEOFF Plan 1, $52 thousand, and for LEOFF Plan 2, $58.7 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 1		
2016	$	(97,873)
2017	$	(97,873)
2018	$	(97,873)
2019	$	(97,874)
2020	$	-
Thereafter	$	-

LEOFF Plan 2		
2016	$	(69,239)
2017	$	(69,239)
2018	$	(69,239)
2019	$	(69,239)
2020	$	128
Thereafter	$	50

3. Tables for Plans Administered by the Department of Retirement Services

TABLE 1: Single Employer Plan Membership

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2013, the date of the latest actuarial valuation for all plans:

	Number of Participating Members			
Plans	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
WSPRS 1	964	119	657	1,740
WSPRS 2	-	10	409	419
JRS	114	-	-	114
Judges	12	-	-	12
Total	1,090	129	1,066	2,285

TABLE 2: Change in Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2013, the date of the latest actuarial valuation for all plans (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
TOTAL PENSION LIABILITY			
Service cost	$ 18,041	$ -	$ -
Interest	75,249	4,319	137
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(47,510)	(9,480)	(444)
Net Change in Total Pension Liability	45,780	(5,161)	(307)
Total Pension Liability--Beginning	1,026,644	105,502	3,453
Total Pension Liability --Ending (a)	$ 1,072,424	$ 100,341	$ 3,146
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 6,587	$ 10,600	$ -
Contributions--employee	6,555	-	-
Net investment income	176,856	25	7
Benefit payments, including refunds of member contributions	(47,510)	(9,480)	(444)
Administrative expense	(84)	-	-
Other	509	-	-
Net Change in Plan Fiduciary Net Position	142,913	1,145	(437)
Plan Fiduciary Net Position--Beginning	955,514	3,886	1,392
Plan Fiduciary Net Position--Ending (b)	$ 1,098,427	$ 5,031	$ 955
Plan's Net Pension Liability (Asset)--Beginning	$ 71,130	$ 101,616	$ 2,061
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	$ (26,003)	$ 95,310	$ 2,191

TABLE 3: Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of the fiscal year 2015, were as follows:

Required Contribution Rates	Employer				Employee		
	Plan 1	Plan 2	Plan 3		Plan 1	Plan 2	Plan 3
PERS							
Employees Not Participating in JBM							
State agencies, local governmental units	5.03%	5.03%	5.03%		6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.00%	4.00%	4.00%				
Total	9.21%	9.21%	9.21%	*			
State govt elected officials	9.55%	5.03%	5.03%		7.50%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.00%	4.00%	4.00%				
Total	13.73%	9.21%	9.21%	*			
Employees Participating in JBM							
State agencies	7.53%	7.53%	7.53%		9.76%	9.80%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.00%	4.00%	4.00%				
Total	11.71%	11.71%	11.71%	*			
Local governmental units	5.03%	5.03%	5.03%		12.26%	12.30%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.00%	4.00%	4.00%				
Total	9.21%	9.21%	9.21%	*			
TRS							
Employees Not Participating in JBM							
State agencies, local governmental units	5.73%	5.73%	5.73%		6.00%	4.96%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	4.48%	4.48%	4.48%				
Total	10.39%	10.39%	10.39%	*			
State govt elected officials	5.73%	5.73%	5.73%		7.50%	4.96%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	4.48%	4.48%	4.48%				
Total	10.39%	10.39%	10.39%	*			
Employees Participating in JBM							
State agencies	10.21%	N/A	N/A		9.76%	N/A	N/A
Administrative fee	0.18%	N/A	N/A				
Total	10.39%						
LEOFF							
Ports and universities	N/A	8.41%	N/A		N/A	8.41%	N/A
Administrative fee	N/A	0.18%	N/A				
Total		8.59%					
Local governmental units	N/A	5.05%	N/A		N/A	8.41%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	0.18%	5.23%					
State of Washington	N/A	3.36%	N/A		N/A	N/A	N/A
WSPRS							
State agencies	7.91%	7.91%	N/A		6.59%	6.59%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	8.09%	8.09%					
PSERS							
State agencies, local governmental units	N/A	6.36%	N/A		N/A	6.36%	N/A
Administrative fee	N/A	0.18%	N/A				
PSERS Plan 1 UAAL	N/A	4.00%	N/A				
Total		10.54%					

* Plan 3 defined benefit portion only.
** Variable from 5% to 15% based on rate selected by the member.
*** Minimum rate.
N/A indicates data not applicable.

C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Plan Description. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2015, there were approximately 500 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

Plan Members. Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2015 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,208
Inactive plan members entitled to but not yet receiving benefits	6,092
Active plan members	10,093
Total membership	20,393

Benefits Provided. VFFRPF provides retirement, disability, and death benefits to eligible members. Benefits are established in chapter 41.24 RCW which may be amended only by the Legislature.

Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Municipalities consist of fire departments, emergency medical service districts and law enforcement agencies. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service. The maximum monthly benefit is $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214 thousand. Funeral and burial expenses are also paid in a lump sum of $2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2015.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2015, the fire insurance premium tax contribution was $5.9 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary (OSA). All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for 2015 were the following:

	Firefighters	EMSD & Reserve Officers
Member fee	$ 30	$ 30
Municipality fee	30	105
Total fee	$ 60	$ 135

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3B.

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return. Eligible investments are only those securities and deposits authorized by statute.

Further information about the investment of pension funds by the OST, their valuation, classifications, concentrations, and maturities can be found in Note 3F.

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 4.05 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

Pension Liability/(Asset). The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2015, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 188,584
Plan fiduciary net position	(207,855)
Participating municipality net pension liability (asset)	$ (19,271)
Plan fiduciary net position as a percentage of the total pension liability	110.22%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

WSIB's long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove (or dampen) any short-term changes to WSIB's CMAs that we don't expect over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

In consultation with OST, OSA selected a 4 percent long-term investment rate of return on assets managed by OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above OSA's current assumption for total inflation of 3 percent.

As the VFFRPF has assets managed by both WSIB and OST, the long-term expected rate of return of 7 percent represents an approximate weighted-average of the assets managed by WSIB (7.5 percent expected return) and the assets managed by OST (4 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability (Asset)		
1% Decrease	$	6,577
Current Discount Rate	$	(19,271)
1% Increase	$	(40,137)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

The Higher Education Defined Contribution Retirement Plans, described in Note 11.E, have a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component, which was closed to new entrants as of July 1, 2011, is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals.

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2015. The previous valuation was performed in 2013.

The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2015, and 2013, was $596.7 million and $460.8 million, respectively, and is amortized over an 10 year period. The Annual Required Contribution (ARC) of $85.8 million includes amortization of the UAL ($60.3 million) and normal cost or current cost ($23.8 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4 percent and projected salary increases of 3.75 percent. Approximately $1.81 billion and $1.76 billion of payroll were covered under these plans during the valuation periods 2015 and 2013, respectively.

The following table reflects the activity in the Net Pension Obligation (NPO) for the years ended June 30 (expressed in millions):

Net Pension Obligation	2015	2014	2013
Annual required contribution	$ 85.8	$ 63.8	$ 63.8
Payments to beneficiaries	(6.5)	(5.6)	(4.9)
Increase (decrease) in NPO	79.3	58.2	58.9
NPO at beginning of year	328.6	270.3	211.4
NPO at end of year	$ 407.9	$ 328.5	$ 270.3

E. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2015, there were five active members and 147 inactive members in JRA. The state, through the AOC, is the sole participating employer.

Beginning January 1, 2007, any justice or judge who was in a judicial position at that time and who chose to join the Judicial Benefit Multiplier (JBM) Program could no longer participate in JRA. Any justice or judge elected or appointed to office on or after January 1, 2007 who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership, they will be enrolled as a member of both PERS Plan 2 and JBM.

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The Administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate, or such person or persons, trust or organization, as the member has nominated by written designation.

For fiscal year 2015 the state recognized pension expense for contributions of $20 thousand made to employee accounts. No plan refunds were made.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, DRS is responsible for all record keeping, accounting, and reporting of member accounts and the WSIB is granted the full power to establish investment policy, develop participant investment options and manage the investment funds for the JRA Plan, consistent with the provisions of RCW 2.14.080 and 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 5 percent to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For fiscal year 2015 employer and employee contributions were $194.0 and $193.8 million respectively, for a total of $387.8 million.

Note 12
Other Postemployment Benefits

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description and Contributions Information

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 66 of the state's K-12 schools and educational service districts (ESDs), and 227 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 245 K-12 schools and ESDs. As of June 2015, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees (1)	Total
State	108,899	30,640	139,539
K-12 schools and ESDs (2)	2,561	32,993	35,554
Political subdivisions	12,571	1,687	14,258
Total	124,031	65,320	189,351

(1) Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.

(2) In fiscal year 2015, there were 106,879 full-time equivalent active employees in the 245 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For calendar year 2015, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium (3)	
Medical	$ 965
Dental	81
Life	4
Long-term disability	2
Total	$ 1,052
Employer contribution	$ 910
Employee contribution	142
Total	$ 1,052

(3) Per 2015 Index Rate Model 7.5.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2014, the average weighted implicit subsidy was valued at $291 per member per month, and in calendar year 2015, the average weighted implicit subsidy is projected to be $308 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state legislature. In calendar year 2014, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2015.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. In calendar year 2015, the cost of the subsidies was approximately 6.0 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Summary of Significant Accounting Policies

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the state as an agency fund using the accrual basis. It has no assets. The PEBB OPEB plan does not issue a publically available financial report.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2015 and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands). All contributions required by the funding method were paid.

Annual required contribution	$	498,399
Interest on net OPEB obligation		75,783
Amortization of net OPEB obligation		(71,806)
Annual OPEB cost (expense)		502,376
Contribuitons made*		(74,055)
Increase in net OPEB obligatoin		428,321
Net OPEB obligation - beginning of year		1,894,567
Net OPEB obligation - end of year*	$	2,322,888

*estimated

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013 were as follows (dollars expressed in thousands):

	2015	2014	2013
Annual OPEB cost	$ 502,376	$ 358,442	$ 347,033
% of annual OPEB cost contributed	14.70%	21.70%	19.90%
Net OPEB obligation	$ 2,322,888	$ 1,894,567	$ 1,613,775

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$	5,273,530
Actuarial value of plan assets		-
Unfunded actuarial accrued liabliity (UAAL)	$	5,273,530
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	$	6,218,744
UAAL as a percentage of covered payroll		84.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years for each new layer of NOO
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.75%
Health care inflation rate	8.0% initial rate, 4.9% ultimate rate in 2094
Inflation rate	3.0%

Note 13
Derivative Instruments

Hedging Derivatives

In addition to investment derivatives as described in Note 3, the state, through the Washington State Department of Transportation Ferries Division (WSF) entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2015 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2015		Notional amount
	Classification	Amount	Classification	Amount	(in gallons)
Governmental Activites					
Cash Flow Hedges:					
Commodity Swaps	Deferred Outflow	$ 5,008	Accounts Payable	$ 5,008	9,072

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

Objective

The objective for the hedge transaction is to minimize the volatility of the price of diesel fuel and therefore stabilize the percentage of the WSF operating budget represented by fuel purchases. To accomplish this, a strategy of active hedging has been implemented by WSF to control the uncertain costs of fuel and allow for more accurate budget estimates.

Significant Terms

The significant terms of active hedges WSF entered into during fiscal year 2015 are presented in the table below:

Type	Counterparty	Contract price range per gallon	Variable rate received	Trade date	Settlement period	Monthly notional amount (in gallons)
Commodity	Cargill	$2.89 - $2.93	NYMEX ULSD Heating Oil	7/11/2014	9/2014 - 6/2015	252,000
Commodity	Cargill	$2.83 - $2.85	NYMEX ULSD Heating Oil	8/18/2014	9/2014 - 6/2015	252,000
Commodity	Cargill	$2.80 - $2.82	NYMEX ULSD Heating Oil	9/9/2014	10/2014 - 6/2015	252,000
Commodity	Cargill	$2.71 - $2.75	NYMEX ULSD Heating Oil	9/25/2014	10/2014 - 6/2015	252,000
Commodity	Cargill	$2.76 - $2.82	NYMEX ULSD Heating Oil	9/9/2014	7/2015 - 6/2016	252,000
Commodity	Cargill	$2.74 - $2.79	NYMEX ULSD Heating Oil	9/25/2014	7/2015 - 6/2016	252,000
Commodity	Cargill	$1.94	NYMEX ULSD Heating Oil	12/30/2014	7/2015 - 6/2016	252,000

The hedging strategy consists of a reference to futures contracts of New York Mercantile Exchange (NYMEX) Ultra Low Sulfur Diesel (ULSD) Heating Oil. This commodity remains highly correlated to the diesel fuel type being used by WSF. These fuel hedges require no initial cash investment and provide monthly settlements.

The monthly settlements are based on the daily prices of the respective commodities whereby WSF will either receive a payment, or make a payment to the counterparty depending on the average monthly prices of the commodities in relation to the contract prices.

Fair Value.

The state reports its hedging derivative instruments at fair value as either accounts payable - liability (negative fair value amount) or as other receivables - asset (positive fair value amount). The fair value represents the current price to settle swap assets or liabilities in the market place if a swap were to be terminated. The changes in fair value for hedging derivatives represent the unrealized gain or loss on the contracts and are reported as deferred inflows or deferred outflows of resources respectively. At fiscal year end, the state reports the fair value and changes in fair value related to hedging derivative instruments on the Balance Sheet for Non-major Governmental Funds and the Government-wide Statement of Net Position.

Risks

The following risks are generally associated with commodity swap agreements:

Basis risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Statistically, the relationship between heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

Termination Risk. Termination risk is the risk that there will be a mandatory early termination of the commodity swap that would result in WSF either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty suffers degraded credit quality or fails to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

Credit Risk. Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2015, credit ratings of the state's counterparty were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Cargill	A2	A	A

Note 14
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.42 billion at June 30, 2015.

B. ENCUMBRANCES

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2015 are (expressed in thousands):

General Fund	$ 29,750
Higher Education Special Revenue Fund	169
Nonmajor Governmental Funds	530,924

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of the disabled, and elderly; and inadequate funding for the provision of, daily personal care, medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed $35 million exclusive of the basic education case, which will be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is also a defendant in a number of cases contesting: the denial of health care benefits to seasonal and part-time state employees, the methodologies used to calculate reimbursement rates to certain health care providers, and the scope of covered care. Claims in this category exceed $150 million.

The Department of Revenue routinely has claims for refunds or exemptions in various stages of administrative and legal review. Cases involving such claims currently total approximately $50 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The state is a defendant in a number of lawsuits related to: habitat restoration and environmental remediation arising out of highway/roadway construction and maintenance. While estimates are not available for all lawsuits, claims for damages equate to approximately $155 million per annum.

The state is a defendant in a number of lawsuits by employees and other entities alleging various infractions of law or contract. These suits claim back pay, damages, or future entitlements valued at approximately $150 million.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's annual payment under the settlement was approximately $109.2 million in fiscal year 2015. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the annual base payment. The fiscal year 2015 strategic contribution payment was approximately $37 million.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006.

With respect to 2003 sales data, Washington and a number of other states participated in a single national arbitration of the nonparticipating manufacturer (NPM) adjustment dispute. In late 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that

it diligently enforced the qualifying statute during calendar year 2003 and, therefore, for that calendar year is not subject to an NPM adjustment under the MSA. Of the 15 states that went to an arbitration hearing, only nine were found to have diligently enforced. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received due to the release of amounts placed in the MSA Disputed Payment Account (DPA) related to the 2003 calendar year. More importantly, if Washington had not prevailed in the arbitration, its fiscal year 2014 payment would have been reduced by approximately $100 million due to the application of the NPM adjustment.

The panel's decision addressed only the 2003 calendar year. Washington and other states are engaged in negotiations with participating manufacturers regarding potential arbitration proceedings involving the 2004 calendar year. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, and $0 and $119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007 through 2013. Washington faces potential NPM adjustments that put at risk Washington's entire MSA payment. For example, the potential NPM adjustment for the year 2007 is between $0 and $123 million, and for the year 2008, it is between $0 and $173 million.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with Chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of $9.33 billion at June 30, 2015. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state treasurer for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

G. GUARANTEED EDUCATION TUITION (GET) LOSS CONTINGENCY

Engrossed Second Substitute Senate Bill (E2SSB) 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduces tuition at all public institutions of higher education during the next two years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State Guaranteed Education Tuition (GET) Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until December 15, 2016, to request a refund. The financial impact of this action cannot reasonably be estimated as of the date of these financial statements.

H. OTHER COMMITMENTS AND CONTINGENCIES

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2015, outstanding certificates of participation notes totaled $81.2 million for 150 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 15
Subsequent Events

A. BOND ISSUES

In September 2015, the state issued:

- $188.0 million in motor vehicle fuel tax general obligation bonds for funding various transportation projects.
- $188.3 million in general obligation refunding bonds for the purpose of refunding certain various purpose general obligation bonds of the state.
- $443.8 million in general obligation bonds for various state capital projects.
- $51.1 million in general obligation (green bonds) to fund certain projects which have been identified as environmentally beneficial.
- $60.6 million in taxable general obligation bonds for capital projects and loan programs for low-income housing and various energy efficiency and renewable energy projects.

In September 2015, the University of Washington issued $159.2 million in general revenue and refunding bonds and $36.4 million in general revenue and refunding taxable bonds to refund Northwest Hospital commercial papers, fund Denny Hall, animal care and research facilities, SW campus central utility plant, and other internal lending program projects.

Also in September 2015, the University of Washington through Washington Biomedical Research Properties 3.2, a blended component unit, issued $132.1 million in lease revenue bonds to fund the design, construction, and equipping of a new biomedical research facility.

In September 2015, The Evergreen State College issued $4.1 million in revenue refunding bonds to refund housing revenue bonds.

Later in the 2015 calendar year, Washington State University is planning to issue approximately $40.0 million in general revenue bonds to construct a Student Union Building on the Tri-Cities campus and renovate the bookstore building.

B. CERTIFICATES OF PARTICIPATION

In September 2015, the state issued $57.6 million in Certificates of Participation.

In October 2015, the state issued $134.6 million in Certificates of Participation and $23.4 million in refunding Certificates of Participation.

C. GENERAL ELECTION

There is an initiative on the state's November 3, 2015, general election ballot that addresses state taxes. This measure would reduce the state retail sales tax by 1 percent unless the Legislature refers to voters a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes and legislative approval for fee increases. If passed, the measure could impact the state fiscally.

Election results are not final or official until certified. By law December 3, 2015, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted on the Secretary of State's website at http://www.sos.wa.gov.

D. LEGISLATION ENACTED SUBSEQUENT TO YEAR END

Engrossed Second Substitute Senate Bill (E2SSB) 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduces tuition at all public institutions of higher education during the next two years and limits tuition growth in future years. E2SSB 5954 and subsequent decisions of the State Guaranteed Education Tuition (GET) Program Committee are significantly impacting the state's GET Program. Subsequent to June 30, 2015, the GET Committee directed the Program to:

- Refund approximately $75.0 million in amortization fees to account holders. The liability for these refunds is recognized as of June 30, 2015.
- Beginning September 2, 2015, through December 15, 2016, allow permit account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater, without the usual penalties, fees, and minimum holding period. The financial impact of this action cannot reasonably be estimated as of the date of these financial statements.

Information about the State Guaranteed Education Tuition Program can be found at http://www.get.wa.gov.

E. STATE SUPREME COURT ORDER

Washington continues to face the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made through the 2013-15 biennial budget, it was insufficient to satisfy the court. In September 2014, the court found the state in contempt and threatened sanctions if an acceptable funding plan was not in place by the end of the 2015 legislative session.

On August 13, 2015, shortly after the conclusion of the 2015 legislative session, the Washington State Supreme Court issued an order imposing daily penalties of $100 thousand until the legislature fully funds basic education as ordered in prior court rulings.

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Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Biennium Ended June 30, 2015
(expressed in thousands)

	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 472,246	$ 472,246	$ 472,246	$ -
Resources				
Taxes	31,808,299	32,620,383	32,802,875	182,492
Licenses, permits, and fees	197,260	215,775	222,964	7,189
Other contracts and grants	529,972	526,952	420,675	(106,277)
Timber sales	5,040	4,363	3,686	(677)
Federal grants-in-aid	17,191,481	18,958,876	17,772,637	(1,186,239)
Charges for services	68,703	73,449	89,791	16,342
Investment income (loss)	(9,830)	965	3,157	2,192
Miscellaneous revenue	582,417	462,912	351,927	(110,985)
Unclaimed property	128,649	125,002	116,885	(8,117)
Transfers from other funds	1,333,052	1,475,687	1,484,679	8,992
Total Resources	52,307,289	54,936,610	53,741,522	(1,195,088)
Charges To Appropriations				
General government	3,474,379	3,492,904	3,322,213	170,691
Human services	26,375,585	28,098,574	27,285,932	812,642
Natural resources and recreation	633,909	725,584	648,051	77,533
Transportation	94,456	94,155	84,364	9,791
Education	20,010,213	20,138,083	19,912,685	225,398
Capital outlays	965,922	917,722	462,588	455,134
Transfers to other funds	561,776	620,554	725,394	(104,840)
Total Charges To Appropriations	52,116,240	54,087,576	52,441,227	1,646,349
Excess Available For Appropriation Over (Under) Charges To Appropriations	191,049	849,034	1,300,295	451,261
Reconciling Items				
Bond sale proceeds	138,792	203,542	341,315	137,773
Issuance premiums	-	891	5,910	5,019
Assumed reversions	140,000	239,531	-	(239,531)
Working capital adjustment	-	-	(179,800)	(179,800)
Allocations	50,001	2,500	-	(2,500)
Noncash activity (net)	-	-	84,377	84,377
Nonappropriated fund balances	-	-	51,014	51,014
Changes in reserves (net)	-	-	(680)	(680)
Total Reconciling Items	328,793	446,464	302,136	(144,328)
Budgetary Fund Balance, June 30	$ 519,842	$ 1,295,498	$ 1,602,431	$ 306,933

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund
For the Biennium Ended June 30, 2015
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	53,741,522
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(1,484,679)
Budgetary fund balance at the beginning of the biennium, as restated		(472,246)
Appropriated loan principal repayment		(3,184)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		3,288,468
Revenues collected for other governments		231,019
Unanticipated receipts		1,215,892
Noncash revenues		82,483
Other		5,071
Biennium total revenues		56,604,346
Fiscal year 2014 total revenues, as restated for fund reclassification		(26,847,449)
Nonappropriated activity		27,536
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	29,784,433
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	52,441,227
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(2,536,683)
Other transfers to other funds		(725,394)
Appropriated loan disbursements		(14)
The following items are not outflows of budgetary resources but are		
recorded as current expenditures for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		3,288,468
Distributions to other governments		231,019
Certificates of participation and capital lease acquisitions		9,052
Expenditures related to unanticipated receipts		1,215,892
Other		12,762
Biennium total expenditures		53,936,329
Fiscal year 2014 total expenditures, as restated for fund reclassification		(26,124,434)
Nonappropriated activity		664,634
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	28,476,529

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2015
(expressed in thousands)

	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 93,087	$ 93,087	$ 93,087	$ -
Resources				
Taxes	334,110	389,878	406,206	16,328
Other contracts and grants	-	438	-	(438)
Charges for services	917	-	-	-
Investment income (loss)	95	-	333	333
Miscellaneous revenue	-	602	-	(602)
Transfers from other funds	340,577	345,232	346,932	1,700
Total Resources	768,786	829,237	846,558	17,321
Charges To Appropriations				
Education	608,761	673,423	672,339	1,084
Transfers to other funds	62,150	53,888	53,589	299
Total Charges To Appropriations	670,911	727,311	725,928	1,383
Excess Available For Appropriation Over (Under) Charges To Appropriations	97,875	101,926	120,630	18,704
Reconciling Items				
Working Capital Adjustment	-	-	(16,060)	(16,060)
Noncash activity (net)	-	-	(50,017)	(50,017)
Nonappropriated fund balances	-	-	2,480,995	2,480,995
Changes in reserves (net)	-	-	230,874	230,874
Total Reconciling Items	-	-	2,645,792	2,645,792
Budgetary Fund Balance, June 30	$ 97,875	$ 101,926	$ 2,766,422	$ 2,664,496

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2015
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	846,558
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(346,932)
Budgetary fund balance at the beginning of the biennium, as restated		(93,087)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash revenues		140
Other		-
Biennium total revenues		406,679
Fiscal year 2014 total revenues		(5,107,607)
Nonappropriated activity		9,947,551
Total Revenues (GAAP Basis) as reported on the Statement of Revenues,		
Expenditures, and Changes in Fund Balances - Governmental Funds	$	5,246,623
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	725,928
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(31,354)
Other transfers to other funds		(53,589)
Biennium total expenditures		640,985
Fiscal year 2014 total expenditures		(5,047,518)
Nonappropriated activity		9,798,640
Total expenditures (GAAP basis) as reported on the Statement of Revenues,		
Expenditures, and Changes in Fund Balance - Governmental Funds	$	5,392,107

BUDGETARY INFORMATION
Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2013-15 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at http://www.ofm.wa.gov/cafr/2015/default.asp.

Legislative appropriations are strict legal limits on expenditures, and over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with generally accepted accounting principles. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

PENSION PLAN INFORMATION
Single Employer Plans

continued

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2
Last Two Fiscal Years*
(expressed in thousands)

	2014	2013
Total Pension Liability		
Service cost	$ 18,041	N/A
Interest	75,249	N/A
Changes of benefit terms	-	N/A
Differences between expected and actual experience	-	N/A
Changes in assumptions	-	N/A
Benefit payments, including refunds of employee contributions	(47,510)	N/A
Net Change in Total Pension Liability	45,780	N/A
Total Pension Liability - Beginning	1,026,644	N/A
Total Pension Liability - Ending (a)	$ 1,072,424	$ 1,026,644
Plan Fiduciary Net Position		
Contributions - employer	$ 6,587	N/A
Contributions - employee	6,555	N/A
Net investment income	176,856	N/A
Benefit payments, including refunds of employee contributions	(47,510)	N/A
Administrative expense	(84)	N/A
Other	509	N/A
Net Change in Plan Fiduciary Net Position	142,913	N/A
Plan Fiduciary Net Position - Beginning	955,514	N/A
Plan Fiduciary Net Position - Ending (b)	$ 1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a percentage of the Total Pension Liability /(Asset)	102.42%	93.07%
Covered-employee payroll	$ 85,046	$ 81,895
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-30.58%	86.85%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

continued

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System
Last Two Fiscal Years*
(expressed in thousands)

	2014	2013
Total Pension Liability		
Service cost	$ -	N/A
Interest	4,319	N/A
Changes of benefit terms	-	N/A
Differences between expected and actual experience	-	N/A
Changes in assumptions	-	N/A
Benefit payments, including refunds of employee contributions	(9,480)	N/A
Net Change in Total Pension Liability	(5,161)	N/A
Total Pension Liability - Beginning	105,502	N/A
Total Pension Liability - Ending (a)	$ 100,341	$ 105,502
Plan Fiduciary Net Position		
Contributions - employer	$ 10,600	N/A
Contributions - employee	-	N/A
Net investment income	25	N/A
Benefit payments, including refunds of employee contributions	(9,480)	N/A
Administrative expense	-	N/A
Other	-	N/A
Net Change in Plan Fiduciary Net Position	1,145	N/A
Plan Fiduciary Net Position - Beginning	3,886	N/A
Plan Fiduciary Net Position - Ending (b)	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	5.01%	3.68%
Covered-employee payroll (1)	N/A	$ 160
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll (1)	N/A	63510%

N/A indicates data not available.
(1) Covered-employee payroll is not applicable because there are no active plan employees.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

concluded

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund
Last Two Fiscal Years*
(expressed in thousands)

	2014	2013
Total Pension Liability		
Service cost	$ -	N/A
Interest	137	N/A
Changes of benefit terms	-	N/A
Differences between expected and actual experience	-	N/A
Changes in assumptions	-	N/A
Benefit payments, including refunds of employee contributions	(444)	N/A
Net Change in Total Pension Liability	(307)	N/A
Total Pension Liability - Beginning	3,453	N/A
Total Pension Liability - Ending (a)	$ 3,146	$ 3,453
Plan Fiduciary Net Position		
Contributions - employer	$ -	N/A
Contributions - employee	-	N/A
Net investment income	7	N/A
Benefit payments, including refunds of employee contributions	(444)	N/A
Administrative expense	-	N/A
Other	-	N/A
Net Change in Plan Fiduciary Net Position	(437)	N/A
Plan Fiduciary Net Position - Beginning	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	$ 955	$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	30.36%	40.31%
Covered-employee payroll (1)	N/A	N/A
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll (1)	N/A	N/A

N/A indicates data not available.
(1) Covered-employee payroll is not applicable because there are no active plan employees.
* This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

continued

Schedule of Contributions
Washington State Patrol Retirement System - Plan 1/2
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in relation to the Actuarial Determined Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 6,677	$ 6,587	$ 90	$ 85,046	7.75%
2013	2,500	6,478	(3,978)	81,895	7.91%
2012	2,900	6,454	(3,554)	81,578	7.91%
2011	2,300	5,251	(2,951)	81,882	6.41%
2010	6,600	5,271	1,329	82,764	6.37%
2009	5,000	6,371	(1,371)	82,719	7.70%
2008	6,800	6,064	736	78,781	7.70%
2007	5,300	3,278	2,022	72,688	4.51%
2006	6,100	3,133	2,967	69,515	4.51%
2005	3,400	-	3,400	65,805	0.00%

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

continued

Schedule of Contributions
Judicial Retirement System
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in relation to the Actuarial Determined Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 9,205	$ 10,600	$ (1,395)	$ -	N/A
2013	21,700	10,112	11,588	160	6320.00%
2012	22,600	8,131	14,469	407	1997.79%
2011	18,600	10,906	7,694	611	1784.94%
2010	20,400	11,649	8,751	1,053	1106.27%
2009	21,200	10,305	10,895	1,394	739.24%
2008	26,600	9,712	16,888	1,496	649.20%
2007	37,300	9,650	27,650	1,478	652.91%
2006	27,700	6,716	20,984	1,534	437.81%
2005	21,700	6,150	15,550	2,071	296.96%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.

N/A indicates data not available. Beginning in 2014, there are no active members.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

concluded

Schedule of Contributions
Judges' Retirement Fund
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in relation to the Actuarial Determined Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 425	$ -	$ 425	$ -	N/A
2013	400	-	400	-	N/A
2012	300	-	300	-	N/A
2011	100	-	100	-	N/A
2010	-	-	-	-	N/A
2009	-	-	-	-	N/A
2008	-	300	(300)	-	N/A
2007	-	300	(300)	-	N/A
2006	100	300	(200)	-	N/A
2005	100	500	(400)	-	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.

N/A indicates data not available. There are no active employees.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarial Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 RCW. Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the fall of 2014, determines the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

Methods and assumptions used in calculations of the ADC for JRS and Judges. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under chapters 2.10.90 and 2.12.60 RCW, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

continued

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 2,134,189
State PERS Plan 1 employers' covered-employee payroll	$ 143,836
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	1483.77%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	61.19%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30 *
(expressed in thousands)

	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	93.29%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

continued

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

		2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)		0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$	22,924
State TRS Plan 1 employers' covered-employee payroll	$	4,611
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll		497.15%
Plan fiduciary net position as a percentage of the total pension liability/(asset)		68.77%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30 *
(expressed in thousands)

		2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)		0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$	1,913
State TRS Plan 2/3 employers' covered-employee payroll	$	25,673
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll		7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)		96.81%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

continued

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2
Measurement Date of June 30 *
(expressed in thousands)

	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	105.01%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$ (1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	126.91%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

concluded

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30 *
(expressed in thousands)

	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (11,175)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(524,419)
Total	$ (535,594)
State LEOFF Plan 2 employers' covered-employee payroll	$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-61.20%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	116.75%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions Public Employees' Retirement System (PERS) - Plan 1 Fiscal Year Ended June 30, 2014 *(dollars in thousands)*		
Contractually Required Contribution	$	13,247
Contributions in relation to the contractually required contribution		13,245
Contribution deficiency (excess)	$	2
Covered-employee payroll	$	143,836
Contributions as a percentage of covered-employee payroll		9.21%

Schedule of Contributions Public Employees' Retirement System (PERS) - Plan 2/3 Fiscal Year Ended June 30, 2014 *(dollars in thousands)*		
Contractually Required Contribution	$	388,288
Contributions in relation to the contractually required contribution		386,812
Contribution deficiency (excess)	$	1,476
Covered-employee payroll	$	4,215,934
Contributions as a percentage of covered-employee payroll		9.18%

Schedule of Contributions Teachers' Retirement System (TRS) - Plan 1 Fiscal Year Ended June 30, 2014 *(dollars in thousands)*		
Contractually Required Contribution	$	479
Contributions in relation to the contractually required contribution		476
Contribution deficiency (excess)	$	3
Covered-employee payroll	$	4,611
Contributions as a percentage of covered-employee payroll		10.32%

Schedule of Contributions Teachers' Retirement System (TRS) - Plan 2/3 Fiscal Year Ended June 30, 2014 *(dollars in thousands)*		
Contractually Required Contribution	$	2,667
Contributions in relation to the contractually required contribution		2,947
Contribution deficiency (excess)	$	(280)
Covered-employee payroll	$	25,673
Contributions as a percentage of covered-employee payroll		11.48%

Schedule of Contributions Public Safety Employees' Retirement System (PSERS) Plan 2 Fiscal Year Ended June 30, 2014 *(dollars in thousands)*		
Contractually Required Contribution	$	13,720
Contributions in relation to the contractually required contribution		13,604
Contribution deficiency (excess)	$	116
Covered-employee payroll	$	130,172
Contributions as a percentage of covered-employee payroll		10.45%

Schedule of Contributions Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Fiscal Year Ended June 30, 2014 *(dollars in thousands)*		
Contractually Required Contribution	$	1,568
Contributions in relation to the contractually required contribution		1,222
Contribution deficiency (excess)	$	346
Covered-employee payroll	$	18,259
Contributions as a percentage of covered-employee payroll		6.69%

Notes:
These schedules will be built prospectively until they contain ten years of data.
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 currently has no active members; therefore, no contributions are required or paid.

PENSION PLAN INFORMATION

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Change in Net Pension Liability
Last Three Fiscal Years*
(expressed in thousands)

	2015	2014	2013
Total Pension Liability			
Service cost	$ 919	$ 1,240	N/A
Interest	12,656	12,480	N/A
Changes of benefit terms	-	-	N/A
Differences between expected and actual experience	(2,948)	-	N/A
Changes in assumptions	1,931	-	N/A
Benefit payments, including refunds of member contributions	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	2,057	2,949	N/A
Total Pension Liability - Beginning	186,527	183,578	N/A
Total Pension Liability - Ending	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position			
Contributions - Municipalities	$ 913	$ 953	N/A
Contributions - Member	76	95	N/A
Contributions - State as nonemployer contributing entity	5,903	6,383	N/A
Net investment income	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(10,501)	(10,771)	N/A
Administrative expense	(1,020)	(1,469)	N/A
Other	-	(22)	N/A
Net Change in Plan Fiduciary Net Position	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	$ 207,855	$ 204,195	$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (19,271)	$ (17,668)	$ 6,444

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Net Pension Liability
Last Three Fiscal Years*
(expressed in thousands)

	2015	2014	2013
Total Pension Liability - Ending	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (19,271)	$ (17,668)	$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	110.22%	109.47%	96.49%
Covered-employee payroll	N/A	N/A	N/A
Plan's net pension liability/(asset) as a percentage of covered-employee payroll	N/A	N/A	N/A

N/A indicates data not applicable. This is a volunteer organization.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

Schedule of Contributions
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contribution	Contributions in relation to the Actuarial Determined Contribution	Contribution deficiency (excess)
2015	$ 6,653	$ 6,816	$ (163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)
2009	2,500	6,223	(3,723)
2008	1,900	6,102	(4,202)
2007	3,000	7,063	(4,063)
2006	4,600	5,695	(1,095)

Neither covered-employee payroll nor contributions as a percentage of covered-employee payroll are applicable. This is a volunteer organization.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Investment Returns Last Two Fiscal Years*		
	2015	**2014**
Annual money-weighted rate of return, net of investment expense	4.05%	18.50%

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the fall of 2014, determines the ADC for the period ending June 30, 2015.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Funding Progress
Other Postemployment Benefits
(expressed in millions)

	2015	**2013**	**2011**
Actuarial valuation date	1/1/2015	1/1/2013	1/1/2011
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	5,274	3,707	3,492
Unfunded actuarial accrued liability (UAAL)	5,274	3,707	3,492
Funded ratio	0%	0%	0%
Covered payroll	6,219	5,787	5,937
UAAL as a percentage of covered payroll	85%	64%	59%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative action at which assets are to be preserved or maintained.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2015, the state was responsible to maintain and preserve 20,732 pavement lane miles, 3,288 bridges and tunnels, and 48 rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5 percent of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15 percent of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25 percent of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better. The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition* Two Year Cycle Ending Calendar Year			
2013	2011	2009	Average of Last Three Assessments
92.8%	91.2%	92.7%	92.2%

* Starting in 2013 the methodology changed from being based solely on number of lane miles to being based on lane miles weighted by vehicle miles traveled. Vehicle miles traveled are key data for highway planning and management, and a common measure of roadway use.

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements
Preservation and Maintenance - Planned to Actual - Fiscal Year
(expressed in thousands)

	2015	2014	2013	2012	2011
Planned	$ 173,716	$ 122,868	$ 137,779	$ 148,811	$ 122,203
Actual	142,789	143,598	108,972	148,366	117,811
Variance	$ 30,927	$ (20,730)	$ 28,807	$ 445	$ 4,392
	17.8%	(16.9%)	20.9%	0.3%	3.6%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT's website at:
http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges," which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code*	Description
Good	7 or more	A range from no problems noted to some minor problems.
Fair	5 or 6	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

*For 2015 the NBI code of 6 has changed from good condition to fair condition. This change aligns with federal reporting requirements.

The WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better. The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition* Two Year Cycle Ending Fiscal Year			
2015	2013	2011	Average of Last Three Assessments
92.1%	91.4%	95.4%	93.0%

* The methodology for 2013 has changed from number of bridges to square footage of the bridge deck. This change aligns with federal reporting requirements.

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2015	2014	2013	2012	2011
Planned	$ 71,078	$ 92,192	$ 98,519	$ 66,510	$ 46,708
Actual	64,060	87,271	87,306	61,026	43,709
Variance	$ 7,018	$ 4,921	$ 11,213	$ 5,484	$ 2,999
	9.9%	5.3%	11.4%	8.2%	6.4%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to the WSDOT's website at:
http://www.wsdot.wa.gov/Bridge/Structures/.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments over a two fiscal year cycle. Sites and buildings are divided into functional components that are assessed with a numerical rating of one to five. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program and weighted by the criticality of the functional component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows condition ratings for safety rest areas:

Safety Rest Areas Percentage in Fair or Better Condition Two Year Cycle Ending Fiscal Year			
2015	2013	2011	Average of Last Three Assessments
100.0%	100.0%	100.0%	100.0%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2015	2014	2013	2012	2011
Planned	$ 8,463	$ 7,488	$ 6,607	$ 6,278	$ 6,259
Actual	8,369	7,591	6,676	6,467	6,514
Variance	$ 94	$ (103)	$ (69)	$ (189)	$ (255)
	1.1%	(1.4%)	(1.0%)	(3.0%)	(4.1%)

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Funds
Combining Financial Statements

Nonmajor
Governmental Funds

The Nonmajor Governmental Funds fall into the four categories as described below:

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

Capital Projects Funds

Capital Projects Funds account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The Common School Permanent Fund, the state's only Nonmajor Permanent Fund, accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet - by Fund Type

June 30, 2015

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and pooled investments	$ 2,599,284	$ 289,646	$ 186,500	$ 88	$ 3,075,518
Investments	38,081	-	-	210,026	248,107
Taxes receivable (net of allowance)	161,902	-	-	-	161,902
Other receivables (net of allowance)	809,356	22,334	12,775	695	845,160
Due from other funds	298,779	1,957	19,919	-	320,655
Due from other governments	2,446,881	-	12,936	25	2,459,842
Inventories and prepaids	52,748	-	-	-	52,748
Restricted cash and investments	72,189	45,881	122,716	-	240,786
Restricted receivables	5,385	-	-	-	5,385
Total Assets	6,484,605	359,818	354,846	210,834	7,410,103
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	5,008	-	-	-	5,008
Total Deferred Outflows of Resources	5,008	-	-	-	5,008
Total Assets and Deferred Outflows of Resources	$ 6,489,613	$ 359,818	$ 354,846	$ 210,834	$ 7,415,111
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 350,761	$ -	$ 70,788	$ -	$ 421,549
Contracts and retainages payable	92,549	-	33,810	-	126,359
Accrued liabilities	71,713	47	5,546	3	77,309
Obligations under security lending agreements	49,181	7,906	966	-	58,053
Due to other funds	403,190	418	97,540	684	501,832
Due to other governments	171,417	-	37,376	-	208,793
Unearned revenue	70,114	-	5,053	-	75,167
Claims and judgments payable	58,070	-	-	-	58,070
Total Liabilities	1,266,995	8,371	251,079	687	1,527,132
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	144,664	-	5,890	-	150,554
Total Deferred Inflows of Resources	144,664	-	5,890	-	150,554
FUND BALANCES					
Nonspendable fund balance	43,751	-	-	202,946	246,697
Restricted fund balance	2,259,998	68,912	227,463	7,201	2,563,574
Committed fund balance	2,774,205	282,535	37,770	-	3,094,510
Unassigned fund balance	-	-	(167,356)	-	(167,356)
Total Fund Balances	5,077,954	351,447	97,877	210,147	5,737,425
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,489,613	$ 359,818	$ 354,846	$ 210,834	$ 7,415,111

NONMAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by Fund Type

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 97,394	$ -	$ -	$ -	$ 97,394
Business and occupation taxes	5,137	-	-	-	5,137
Excise taxes	106,330	-	-	-	106,330
Motor vehicle and fuel taxes	1,253,179	-	-	-	1,253,179
Other taxes	276,798	-	-	-	276,798
Licenses, permits, and fees	1,543,323	-	-	-	1,543,323
Other contracts and grants	260,258	-	4,657	-	264,915
Timber sales	96,272	-	5,051	-	101,323
Federal grants-in-aid	1,209,466	-	1,019	1	1,210,486
Charges for services	527,943	22,422	75,262	-	625,627
Investment income (loss)	55,906	1,006	1,166	6,119	64,197
Miscellaneous revenue	421,885	73,708	32,986	1,454	530,033
Total Revenues	5,853,891	97,136	120,141	7,574	6,078,742
EXPENDITURES					
Current:					
General government	348,093	1,170	135,138	34	484,435
Human services	761,411	-	10,981	-	772,392
Natural resources and recreation	639,530	-	154,601	-	794,131
Transportation	1,845,512	-	-	-	1,845,512
Education	185,143	-	394,413	-	579,556
Intergovernmental	348,423	-	-	-	348,423
Capital outlays	1,463,610	-	509,169	-	1,972,779
Debt service:					
Principal	15,734	896,050	3,424	-	915,208
Interest	1,018	960,785	6,327	-	968,130
Total Expenditures	5,608,474	1,858,005	1,214,053	34	8,680,566
Excess of Revenues Over (Under) Expenditures	245,417	(1,760,869)	(1,093,912)	7,540	(2,601,824)
OTHER FINANCING SOURCES (USES)					
Bonds issued	385,119	-	554,233	-	939,352
Refunding bonds issued	-	2,610,505	-	-	2,610,505
Payments to escrow agents for refunded bond debt	-	(3,127,361)	-	-	(3,127,361)
Other debt issued	3,207	-	435	-	3,642
Issuance premiums	40,788	521,949	101,928	-	664,665
Transfers in	474,795	1,962,404	350,407	10	2,787,616
Transfers out	(1,472,323)	(300,869)	(206,514)	(8,313)	(1,988,019)
Total Other Financing Sources (Uses)	(568,414)	1,666,628	800,489	(8,303)	1,890,400
Net Change in Fund Balances	(322,997)	(94,241)	(293,423)	(763)	(711,424)
Fund Balances - Beginning, as restated	5,400,951	445,688	391,300	210,910	6,448,849
Fund Balances - Ending	$ 5,077,954	$ 351,447	$ 97,877	$ 210,147	$ 5,737,425

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Nonmajor
Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes. The Nonmajor Special Revenue Funds are described below:

Motor Vehicle Fund
The Motor Vehicle Fund accounts for highway activities of the Washington State Patrol; operations of the state ferry system; completion and preservation of the interstate system; other transportation improvements; and maintenance of non-interstate highways and bridges.

Multimodal Transportation Fund
The Multimodal Transportation Fund accounts for activities relating to drivers' licensing; driver improvement and financial responsibility; maintenance of driving records, charges for transportation services; and other highway and non-highway operations and capital improvements.

Central Administrative & Regulatory Fund
The Central Administrative and Regulatory Fund accounts for the operating expenditures of certain administrative and regulatory agencies.

Human Services Fund
The Human Services Fund accounts for activities related to safe and reliable drinking water; life sciences research; housing for persons and families with special housing needs; community awareness and support, and the collection of tobacco settlement monies.

Wildlife and Natural Resources Fund
The Wildlife and Natural Resources Fund accounts for the protection, management and remediation programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

Local Construction & Loan Fund
The Local Construction and Loan Fund accounts for construction and loan programs for local public works projects.

NONMAJOR SPECIAL REVENUE FUNDS

Combining Balance Sheet

June 30, 2015

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	$ 746,614	$ 237,530	$ 310,392	$ 476,752
Investments	-	-	1,312	36,769
Taxes receivable (net of allowance)	144,131	55	5,850	11,793
Other receivables (net of allowance)	54,213	48,464	98,455	474,207
Due from other funds	143,099	15,500	23,613	11,912
Due from other governments	106,350	101,136	33,641	455,475
Inventories and prepaids	44,939	260	7,078	8
Restricted cash and investments	43,006	22,129	6,539	-
Restricted receivables	5,385	-	-	-
Total Assets	1,287,737	425,074	486,880	1,466,916
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	5,008	-	-	-
Total Deferred Outflows of Resources	5,008	-	-	-
Total Assets and Deferred Outflows of Resources	$ 1,292,745	$ 425,074	$ 486,880	$ 1,466,916
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 181,596	$ 54,175	$ 16,115	$ 78,491
Contracts and retainages payable	37,404	23,059	1,890	4,396
Accrued liabilities	42,850	2,699	4,898	7,335
Obligations under security lending agreements	20,106	6,870	1,784	6,551
Due to other funds	147,648	18,982	27,218	142,394
Due to other governments	66,532	54,758	4,662	9,162
Unearned revenue	13,077	20,680	18,600	4,219
Claims and judgments payable	-	-	58,070	-
Total Liabilities	509,213	181,223	133,237	252,548
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	35,571	15,680	2,337	-
Total Deferred Inflows of Resources	35,571	15,680	2,337	-
FUND BALANCES				
Nonspendable fund balance	42,716	260	189	123
Restricted fund balance	655,083	68,050	6,796	468,375
Committed fund balance	50,162	159,861	344,321	745,870
Total Fund Balances	747,961	228,171	351,306	1,214,368
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,292,745	$ 425,074	$ 486,880	$ 1,466,916

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 776,679	$ 51,317	$ 2,599,284
-	-	38,081
-	73	161,902
87,496	46,521	809,356
97,353	7,302	298,779
670,737	1,079,542	2,446,881
463	-	52,748
515	-	72,189
-	-	5,385
1,633,243	1,184,755	6,484,605
-	-	5,008
-	-	5,008
$ 1,633,243	$ 1,184,755	$ 6,489,613
$ 19,435	$ 949	$ 350,761
18,754	7,046	92,549
13,877	54	71,713
12,299	1,571	49,181
66,696	252	403,190
29,774	6,529	171,417
13,538	-	70,114
-	-	58,070
174,373	16,401	1,266,995
54,249	36,827	144,664
54,249	36,827	144,664
463	-	43,751
1,013,567	48,127	2,259,998
390,591	1,083,400	2,774,205
1,404,621	1,131,527	5,077,954
$ 1,633,243	$ 1,184,755	$ 6,489,613

NONMAJOR SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
REVENUES				
Retail sales and use taxes	$ -	$ 70,591	$ 26,759	$ -
Business and occupation taxes	-	-	-	400
Excise taxes	-	35	523	89,682
Motor vehicle and fuel taxes	1,237,374	2,785	-	-
Other taxes	26	-	105,377	20,741
Licenses, permits, and fees	469,820	194,744	254,201	463,757
Timber sales	6	-	4,200	-
Other contracts and grants	137,375	40,514	3,325	77,038
Federal grants-in-aid	408,983	479,210	86,165	215,660
Charges for services	247,059	66,222	70,115	134,362
Investment income (loss)	4,431	1,482	17,083	8,190
Miscellaneous revenue	47,936	23,710	26,980	89,971
Total Revenues	2,553,010	879,293	594,728	1,099,801
EXPENDITURES				
Current:				
General government	4,106	-	270,327	63,480
Human services	-	-	9,884	748,386
Natural resources and recreation	1,183	-	10,509	790
Transportation	1,228,029	566,333	40,053	10,573
Education	-	-	44,750	73,682
Intergovernmental	244,098	1,796	101,012	1,474
Capital outlays	901,808	527,661	7,545	2,233
Debt service:				
Principal	6,986	345	907	63
Interest	714	75	123	57
Total Expenditures	2,386,924	1,096,210	485,110	900,738
Excess of Revenues Over (Under) Expenditures	166,086	(216,917)	109,618	199,063
OTHER FINANCING SOURCES (USES)				
Bonds issued	199,920	185,199	-	-
Issuance premiums	40,771	-	-	17
Other debt issued	2,959	-	92	156
Transfers in	183,937	104,173	39,362	37,644
Transfers out	(730,664)	(192,231)	(146,674)	(166,937)
Total Other Financing Sources (Uses)	(303,077)	97,141	(107,220)	(129,120)
Net Change in Fund Balances	(136,991)	(119,776)	2,398	69,943
Fund Balances - Beginning, as restated	884,952	347,947	348,908	1,144,425
Fund Balances - Ending	$ 747,961	$ 228,171	$ 351,306	$ 1,214,368

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 44	$ -	$ 97,394
4,737	-	5,137
-	16,090	106,330
13,020	-	1,253,179
150,654	-	276,798
160,702	99	1,543,323
63,916	28,150	96,272
2,006	-	260,258
19,448	-	1,209,466
10,185	-	527,943
16,824	7,896	55,906
133,293	99,995	421,885
574,829	152,230	5,853,891
368	9,812	348,093
3,141	-	761,411
626,601	447	639,530
524	-	1,845,512
1,721	64,990	185,143
43	-	348,423
24,356	7	1,463,610
7,433	-	15,734
49	-	1,018
664,236	75,256	5,608,474
(89,407)	76,974	245,417
-	-	385,119
-	-	40,788
-	-	3,207
94,149	15,530	474,795
(90,639)	(145,178)	(1,472,323)
3,510	(129,648)	(568,414)
(85,897)	(52,674)	(322,997)
1,490,518	1,184,201	5,400,951
$ 1,404,621	$ 1,131,527	$ 5,077,954

NONMAJOR SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2015

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 766,174	$ 766,174	$ 766,174	$ -
Resources				
Taxes	2,365,762	1,927,136	1,951,172	24,036
Licenses, permits, and fees	847,784	901,724	911,517	9,793
Other contracts and grants	177,940	185,183	151,048	(34,135)
Timber sales	-	6	13	7
Federal grants-in-aid	1,200,103	1,331,882	1,022,619	(309,263)
Charges for services	465,311	477,770	480,420	2,650
Investment income (loss)	13,555	3,193	5,487	2,294
Miscellaneous revenue	66,963	78,668	89,106	10,438
Dividend income	-	-	-	-
Transfers from other funds	197,035	278,434	334,142	55,708
Total Resources	6,100,627	5,950,170	5,711,698	(238,472)
Charges To Appropriations				
General government	22,625	13,381	10,209	3,172
Human services	-	-	-	-
Natural resources and recreation	2,489	2,482	2,477	5
Transportation	1,753,050	1,741,220	1,705,652	35,568
Education	-	-	-	-
Capital outlays	3,274,879	3,318,710	2,762,553	556,157
Transfers to other funds	1,240,659	1,319,259	1,372,609	(53,350)
Total Charges To Appropriations	6,293,702	6,395,052	5,853,500	541,552
Excess Available For Appropriation Over (Under) Charges To Appropriations	(193,075)	(444,882)	(141,802)	303,080
Reconciling Items				
Bond sale proceeds	1,669,424	796,428	742,100	(54,328)
Issuance premiums	-	59,402	99,854	40,452
Noncash activity (net)	-	-	2,924	2,924
Nonappropriated fund balances	-	-	2,097	2,097
Changes in reserves (net)	-	-	72	72
Total Reconciling Items	1,669,424	855,830	847,047	(8,783)
Budgetary Fund Balance, June 30	$ 1,476,349	$ 410,948	$ 705,245	$ 294,297

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 312,583	$ 312,583	$ 312,583	$ -	$ 134,851	$ 134,851	$ 134,851	$ -
126,689	139,705	140,457	752	54,869	51,849	2,675	(49,174)
377,467	365,464	368,245	2,781	491,382	509,349	429,190	(80,159)
1,470	1,947	297	(1,650)	6,484	5,295	2	(5,293)
-	-	-	-	7,661	7,823	8,755	932
687,211	783,575	371,719	(411,856)	69,443	103,949	91,603	(12,346)
256,071	138,728	128,444	(10,284)	113,993	117,160	31,834	(85,326)
1,809	1,594	1,641	47	39,203	37,615	34,205	(3,410)
55,049	25,262	28,927	3,665	43,220	85,655	36,504	(49,151)
-	-	-	-	-	-	-	-
97,886	114,603	114,961	358	38,484	38,519	30,933	(7,586)
1,916,235	1,883,461	1,467,274	(416,187)	999,590	1,092,065	800,552	(291,513)
4,397	1,397	883	514	385,802	421,069	372,024	49,045
-	-	-	-	10,327	11,274	9,339	1,935
-	-	-	-	17,275	17,263	16,616	647
432,251	463,011	420,930	42,081	60,462	75,100	64,448	10,652
-	-	-	-	200	200	172	28
1,482,443	1,678,583	1,054,272	624,311	11,405	11,405	8,356	3,049
517,957	305,354	317,643	(12,289)	260,334	300,287	255,477	44,810
2,437,048	2,448,345	1,793,728	654,617	745,805	836,598	726,432	110,166
(520,813)	(564,884)	(326,454)	238,430	253,785	255,467	74,120	(181,347)
603,855	603,855	481,114	(122,741)	-	-	-	-
-	37,969	37,969	-	-	-	-	-
-	-	5,535	5,535	-	-	1,444	1,444
-	-	25,099	25,099	-	-	191,788	191,788
-	-	4,648	4,648	-	-	83,765	83,765
603,855	641,824	554,365	(87,459)	-	-	276,997	276,997
$ 83,042	$ 76,940	$ 227,911	$ 150,971	$ 253,785	$ 255,467	$ 351,117	$ 95,650

NONMAJOR SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2015

(expressed in thousands)

	Human Services			
	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 943,809	$ 943,809	$ 943,809	$ -
Resources				
Taxes	67,278	132,820	141,047	8,227
Licenses, permits, and fees	806,229	907,726	936,367	28,641
Other contracts and grants	7,538	134,107	2,412	(131,695)
Timber sales	-	-	-	-
Federal grants-in-aid	589,562	552,597	365,675	(186,922)
Charges for services	332,573	307,220	276,535	(30,685)
Investment income (loss)	9,714	16,908	10,630	(6,278)
Miscellaneous revenue	340,521	202,986	174,317	(28,669)
Dividend income	-	-	-	-
Transfers from other funds	40,766	137,328	25,526	(111,802)
Total Resources	3,137,990	3,335,501	2,876,318	(459,183)
Charges To Appropriations				
General government	125,532	132,148	112,808	19,340
Human services	1,419,053	1,391,037	1,310,454	80,583
Natural resources and recreation	1,701	1,690	1,690	-
Transportation	23,233	23,191	18,856	4,335
Education	180	180	21,045	(20,865)
Capital outlays	456,181	460,181	172,326	287,855
Transfers to other funds	274,742	393,818	308,118	85,700
Total Charges To Appropriations	2,300,622	2,402,245	1,945,297	456,948
Excess Available For Appropriation Over (Under) Charges To Appropriations	837,368	933,256	931,021	(2,235)
Reconciling Items				
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Noncash activity (net)	-	-	19,691	19,691
Nonappropriated fund balances	-	-	125,816	125,816
Changes in reserves (net)	-	-	137,717	137,717
Total Reconciling Items	-	-	283,224	283,224
Budgetary Fund Balance, June 30	$ 837,368	$ 933,256	$ 1,214,245	$ 280,989

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 1,390,552	$ 1,390,552	$ 1,390,552	$ -	$ 1,387,205	$ 1,387,205	$ 1,387,205	$ -
410,755	403,144	385,433	(17,711)	24,879	28,119	28,956	837
290,490	295,079	201,243	(93,836)	446	406	-	(406)
8,968	8,829	4,058	(4,771)	-	-	-	-
138,222	141,833	86,372	(55,461)	130,857	110,733	99,318	(11,415)
176,559	152,130	52,508	(99,622)	-	-	-	-
16,850	18,194	18,992	798	-	-	-	-
25,152	27,335	29,439	2,104	21,658	18,427	15,557	(2,870)
347,179	361,102	297,142	(63,960)	1,183,037	298,453	281,184	(17,269)
-	-	-	-	-	-	-	-
183,680	224,652	175,417	(49,235)	20,097	15,014	24,263	9,249
2,988,407	3,022,850	2,641,156	(381,694)	2,768,179	1,858,357	1,836,483	(21,874)
93	92	89	3	3,794	3,765	3,738	27
5,981	5,945	5,720	225	-	-	-	-
735,391	748,987	681,438	67,549	-	-	-	-
1,518	1,493	1,433	60	-	-	-	-
2,210	2,210	2,210	-	-	-	-	-
1,121,863	1,137,363	409,637	727,726	931,221	726,765	300,973	425,792
193,102	217,588	180,660	36,928	283,790	290,093	290,103	(10)
2,060,158	2,113,678	1,281,187	832,491	1,218,805	1,020,623	594,814	425,809
928,249	909,172	1,359,969	450,797	1,549,374	837,734	1,241,669	403,935
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(7,999)	(7,999)	-	-	66,189	66,189
-	-	63,761	63,761	-	-	299	299
-	-	(12,088)	(12,088)	-	-	(176,630)	(176,630)
-	-	43,674	43,674	-	-	(110,142)	(110,142)
$ 928,249	$ 909,172	$ 1,403,643	$ 494,471	$ 1,549,374	$ 837,734	$ 1,131,527	$ 293,793

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Nonmajor
Debt Service Funds

Debt Service Funds account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities. Debt Service Funds are described below:

General Obligation Bond Fund
The General Obligation Bond Fund accounts for the accumulation of resources for, and the payment of, non-transportation related general obligation bond principal and interest.

Transportation General Obligation Bond Fund
The Transportation General Obligation Bond Fund accounts for the accumulation of resources for, and the payment of, transportation general obligation bond principal and interest.

Tobacco Settlement Securitization Bond Fund
The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on revenue bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

Transportation Revenue Bond Fund
The Transportation Revenue Bond Fund accounts for the accumulation of resources for, and the payment of, transportation revenue bond principal and interest.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2015

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and pooled investments	$ 22,120	$ 265,094	$ 141	$ 2,291	$ 289,646
Other receivables (net of allowance)	-	1,605	20,729	-	22,334
Due from other funds	1,649	308	-	-	1,957
Restricted cash and investments	6,879	-	39,002	-	45,881
Total Assets	$ 30,648	$ 267,007	$ 59,872	$ 2,291	$ 359,818
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued liabilities	$ 9	$ 13	$ 25	$ -	$ 47
Obligations under security lending agreements	577	7,267	-	62	7,906
Due to other funds	36	382	-	-	418
Total Liabilities	622	7,662	25	62	8,371
FUND BALANCES					
Restricted fund balance	6,879	-	59,847	2,186	68,912
Committed fund balance	23,147	259,345	-	43	282,535
Total Fund Balances	30,026	259,345	59,847	2,229	351,447
Total Liabilities and Fund Balances	$ 30,648	$ 267,007	$ 59,872	$ 2,291	$ 359,818

NONMAJOR DEBT SERVICE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Charges for services	$ 22,422	$ -	$ -	$ -	$ 22,422
Investment income (loss)	149	818	7	32	1,006
Miscellaneous revenue	3	26,266	47,439	-	73,708
Total Revenues	22,574	27,084	47,446	32	97,136
EXPENDITURES					
Current:					
General government	-	-	1,170	-	1,170
Debt service:					
Principal	611,672	251,698	32,680	-	896,050
Interest	558,569	321,551	15,544	65,121	960,785
Total Expenditures	1,170,241	573,249	49,394	65,121	1,858,005
Excess of Revenues Over (Under) Expenditures	(1,147,667)	(546,165)	(1,948)	(65,089)	(1,760,869)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	1,608,135	1,002,370	-	-	2,610,505
Payments to escrow agents for refunded bond debt	(1,931,097)	(1,196,264)	-	-	(3,127,361)
Issuance premiums	325,732	196,217	-	-	521,949
Transfers in	1,337,167	560,116	-	65,121	1,962,404
Transfers out	(300,869)	-	-	-	(300,869)
Total Other Financing Sources (Uses)	1,039,068	562,439	-	65,121	1,666,628
Net Change in Fund Balances	(108,599)	16,274	(1,948)	32	(94,241)
Fund Balances - Beginning	138,625	243,071	61,795	2,197	445,688
Fund Balances - Ending	$ 30,026	$ 259,345	$ 59,847	$ 2,229	$ 351,447

NONMAJOR DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2015

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2013-15 Biennium	**Final Budget 2013-15 Biennium**	**Actual 2013-15 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 235,237	$ 235,237	$ 235,237	$ -
Resources				
Charges for services	44,991	27,229	-	(27,229)
Investment income (loss)	53	60	-	(60)
Miscellaneous revenue	-	1	-	(1)
Transfers from other funds	228,810	233,890	167,950	(65,940)
Total Resources	509,091	496,417	403,187	(93,230)
Charges To Appropriations				
General government	168,360	404,098	403,313	785
Transfers to other funds	59,364	56,403	-	56,403
Total Charges To Appropriations	227,724	460,501	403,313	57,188
Excess Available For Appropriation Over (Under) Charges To Appropriations	281,367	35,916	(126)	(36,042)
Reconciling Items				
Debt service	-	(121)	(2,891)	(2,770)
Proceeds of refunding bonds	-	(15,110)	1,726,040	1,741,150
Payments to escrow agents for refunded bond debt	-	-	(2,064,112)	(2,064,112)
Issuance premiums	-	15,232	340,963	325,731
Noncash activity (net)	-	-	142	142
Nonappropriated fund balances	-	-	30,010	30,010
Total Reconciling Items	-	1	30,152	30,151
Budgetary Fund Balance, June 30	$ 281,367	$ 35,917	$ 30,026	$ (5,891)

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 223,779	$ 223,779	$ 223,779	$ -	$ 2,176	$ 2,176	$ 2,176	$ -
-	-	-	-	-	-	-	-
218	227	657	430	12	17	41	24
56,638	26,068	52,334	26,266	-	-	-	-
1,134,142	1,193,784	1,096,501	(97,283)	276,680	178,805	121,963	(56,842)
1,414,777	1,443,858	1,373,271	(70,587)	278,868	180,998	124,180	(56,818)
1,122,671	1,115,893	1,115,125	768	117,032	121,963	121,963	-
-	-	-	-	-	-	-	-
1,122,671	1,115,893	1,115,125	768	117,032	121,963	121,963	-
292,106	327,965	258,146	(69,819)	161,836	59,035	2,217	(56,818)
-	(238)	(2,561)	(2,323)	-	-	-	-
-	(13,432)	1,108,345	1,121,777	-	-	-	-
-	-	(1,315,671)	(1,315,671)	-	-	-	-
-	13,670	209,887	196,217	-	-	-	-
-	-	1,199	1,199	-	-	12	12
-	-	-	-	-	-	-	-
-	-	1,199	1,199	-	-	12	12
$ 292,106	$ 327,965	$ 259,345	$ (68,620)	$ 161,836	$ 59,035	$ 2,229	$ (56,806)

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Nonmajor

Capital Projects Funds

Capital Projects Funds account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds). The Capital Projects Funds are as follows:

State Facilities Fund

The State Facilities Fund accounts for the acquisition, construction, and remodeling of state buildings.

Higher Education Facilities Fund

The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet

June 30, 2015

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	$ -	$ 186,500	$ 186,500
Other receivables (net of allowance)	9,308	3,467	12,775
Due from other funds	16,764	3,155	19,919
Due from other governments	3,475	9,461	12,936
Restricted cash and investments	5,027	117,689	122,716
Total Assets	$ 34,574	$ 320,272	$ 354,846
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 45,359	$ 25,429	$ 70,788
Contracts and retainages payable	29,105	4,705	33,810
Accrued liabilities	1,367	4,179	5,546
Obligations under security lending agreements	217	749	966
Due to other funds	79,874	17,666	97,540
Due to other governments	37,376	-	37,376
Unearned revenue	859	4,194	5,053
Total Liabilities	194,157	56,922	251,079
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,890	-	5,890
Total Deferred Inflows of Resources	5,890	-	5,890
FUND BALANCES			
Restricted fund balance	1,883	225,580	227,463
Committed fund balance	-	37,770	37,770
Unassigned fund balance	(167,356)	-	(167,356)
Total Fund Balances	(165,473)	263,350	97,877
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 34,574	$ 320,272	$ 354,846

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Other contracts and grants	$ 250	$ 4,407	$ 4,657
Timber sales	4,585	466	5,051
Federal grants-in-aid	-	1,019	1,019
Charges for services	-	75,262	75,262
Investment income (loss)	59	1,107	1,166
Miscellaneous revenue	4,032	28,954	32,986
Total Revenues	8,926	111,215	120,141
EXPENDITURES			
Current:			
General government	135,138	-	135,138
Human services	10,981	-	10,981
Natural resources and recreation	154,601	-	154,601
Education	283,573	110,840	394,413
Capital outlays	341,745	167,424	509,169
Debt service:			
Principal	-	3,424	3,424
Interest	-	6,327	6,327
Total Expenditures	926,038	288,015	1,214,053
Excess of Revenues			
Over (Under) Expenditures	(917,112)	(176,800)	(1,093,912)
OTHER FINANCING SOURCES (USES)			
Bonds issued	466,863	87,370	554,233
Other debt issued	-	435	435
Issuance premiums	87,393	14,535	101,928
Transfers in	4,211	346,196	350,407
Transfers out	(17,420)	(189,094)	(206,514)
Total Other Financing Sources (Uses)	541,047	259,442	800,489
Net Change in Fund Balances	(376,065)	82,642	(293,423)
Fund Balances - Beginning, as restated	210,592	180,708	391,300
Fund Balances - Ending	$ (165,473)	$ 263,350	$ 97,877

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2015

(expressed in thousands)

	State Facilities			
	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (77,534)	$ (77,534)	$ (77,534)	$ -
Resources				
Other contracts and grants	-	-	250	250
Timber sales	12,794	12,150	11,084	(1,066)
Charges for services	-	-	-	-
Investment income (loss)	11	28	83	55
Miscellaneous revenue	12,306	9,400	9,201	(199)
Transfers from other funds	41,079	55,831	9,104	(46,727)
Total Resources	(11,344)	(125)	$ (47,812)	$ (47,687)
Charges To Appropriations				
General government	5,164	6,520	4,075	2,445
Education	-	-	-	-
Capital outlays	2,248,483	2,379,964	1,598,184	781,780
Transfers to other funds	63,208	84,161	29,368	54,793
Transfers to other funds	-	-	-	-
Total Charges To Appropriations	2,316,855	2,470,645	1,631,627	839,018
Excess Available For Appropriation Over (Under) Charges To Appropriations	(2,328,199)	(2,470,770)	(1,679,439)	791,331
Reconciling Items				
Bond sale proceeds	2,511,225	2,678,749	1,336,120	(1,342,629)
Issuance premiums	-	90,405	177,798	87,393
Noncash activity (net)	-	-	48	48
Nonappropriated fund balances	-	-	-	-
Changes in reserves (net)	-	-	-	-
Total Reconciling Items	2,511,225	2,769,154	1,513,966	(1,255,188)
Budgetary Fund Balance, June 30	$ 183,026	$ 298,384	$ (165,473)	$ (463,857)

Higher Education Facilities			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 52,371	$ 52,371	$ 52,371	$ -
-	-	-	-
125	1,924	1,924	-
161,003	151,743	148,482	(3,261)
99	409	147	(262)
220	409	(598)	(1,007)
81,045	108,201	111,230	3,029
294,863	315,057	313,556	(1,501)
-	-	-	-
17,548	17,548	16,770	778
268,346	267,070	250,067	17,003
5,261	5,261	8,984	(3,723)
-	-	-	-
291,155	289,879	275,821	14,058
3,708	25,178	37,735	12,557
-	-	-	-
-	-	-	-
-	-	147	147
-	-	225,468	225,468
-	-	-	-
-	-	225,615	225,615
$ 3,708	$ 25,178	$ 263,350	$ 238,172

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Nonmajor

Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are as follows:

Lottery Fund

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund

The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities

The Other Activities Fund accounts for the operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2015

(expressed in thousands)

Continued

	Lottery	Institutional	Other Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 19,438	$ 10,886	$ 64,526	$ 94,850
Investments	23,392	-	-	23,392
Other receivables (net of allowance)	18,483	876	477	19,836
Due from other funds	920	10,651	1,805	13,376
Due from other governments	2	474	4,640	5,116
Inventories	429	7,943	128	8,500
Prepaid expenses	155	241	18	414
Total Current Assets	62,819	31,071	71,594	165,484
Noncurrent Assets:				
Investments, noncurrent	129,998	-	-	129,998
Other noncurrent assets	5	-	-	5
Capital assets:				
Land and other non-depreciable assets	-	1,540	-	1,540
Buildings	-	12,828	-	12,828
Other improvements	666	1,809	82	2,557
Furnishings, equipment, and intangibles	1,245	20,089	11,003	32,337
Accumulated depreciation	(1,367)	(15,090)	(8,490)	(24,947)
Total Noncurrent Assets	130,547	21,176	2,595	154,318
Total Assets	193,366	52,247	74,189	319,802
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	640	1,156	2,411	4,207
Total Deferred Outflows of Resources	640	1,156	2,411	4,207
Total Assets and Deferred Outflows of Resources	$ 194,006	$ 53,403	$ 76,600	$ 324,009

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2015

(expressed in thousands)

Concluded

	Lottery	Institutional	Other Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 6,173	$ 4,483	$ 3,026	$ 13,682
Contracts and retainages payable	-	-	497	497
Accrued liabilities	48,811	2,781	10,361	61,953
Bonds and notes payable	-	460	-	460
Due to other funds	14,776	1,801	552	17,129
Due to other governments	-	-	6,234	6,234
Unearned revenue	4	-	-	4
Claims and judgments payable	-	-	4,571	4,571
Total Current Liabilities	69,764	9,525	25,241	104,530
Noncurrent Liabilities:				
Claims and judgments payable	-	-	9,784	9,784
Bonds and notes payable	-	5,065	-	5,065
Net pension liability	5,206	8,080	18,795	32,081
Other long-term liabilities	113,393	6,596	10,657	130,646
Total Noncurrent Liabilities	118,599	19,741	39,236	177,576
Total Liabilities	188,363	29,266	64,477	282,106
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	2,143	3,529	8,188	13,860
Total Deferred Inflows of Resources	2,143	3,529	8,188	13,860
NET POSITION				
Net investment in capital assets	545	15,652	2,595	18,792
Unrestricted	2,955	4,956	1,340	9,251
Total Net Position	3,500	20,608	3,935	28,043
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 194,006	$ 53,403	$ 76,600	$ 324,009

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES				
Sales	$ -	$ 89,131	$ 200	$ 89,331
Less: Cost of goods sold	-	(61,438)	(109)	(61,547)
Gross profit	-	27,693	91	27,784
Charges for services	2,849	1,579	30,643	35,071
Premiums and assessments	-	-	739	739
Lottery ticket proceeds	600,348	-	-	600,348
Miscellaneous revenue	3	1	3,772	3,776
Total Operating Revenues	603,200	29,273	35,245	667,718
OPERATING EXPENSES				
Salaries and wages	7,253	15,788	28,888	51,929
Employee benefits	2,474	6,906	9,286	18,666
Personal services	10,789	-	7,807	18,596
Goods and services	71,452	552	22,596	94,600
Travel	452	332	1,011	1,795
Premiums and claims	-	-	-	-
Lottery prize payments	365,930	-	-	365,930
Depreciation and amortization	136	683	536	1,355
Miscellaneous expenses	28	42	347	417
Total Operating Expenses	458,514	24,303	70,471	553,288
Operating Income (Loss)	144,686	4,970	(35,226)	114,430
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	5,048	-	9	5,057
Interest expense	(7,606)	(248)	-	(7,854)
Tax and license revenue	10	-	19,733	19,743
Other revenues (expenses)	-	(86)	341	255
Total Nonoperating Revenues (Expenses)	(2,548)	(334)	20,083	17,201
Income (Loss) Before Transfers	142,138	4,636	(15,143)	131,631
Transfers in	12,804	-	-	12,804
Transfers out	(154,060)	-	(2,500)	(156,560)
Net Transfers	(141,256)	-	(2,500)	(143,756)
Change in Net Position	882	4,636	(17,643)	(12,125)
Net Position - Beginning, as restated	2,618	15,972	21,578	40,168
Net Position - Ending	$ 3,500	$ 20,608	$ 3,935	$ 28,043

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 606,221	$ 87,784	$ 29,378	$ 723,383
Payments to suppliers	(477,454)	(62,855)	(22,356)	(562,665)
Payments to employees	(9,443)	(21,568)	(37,326)	(68,337)
Other receipts	1	-	3,793	3,794
Net Cash Provided (Used) by Operating Activities	119,325	3,361	(26,511)	96,175
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	12,804	-	-	12,804
Transfers out	(154,060)	-	(2,500)	(156,560)
Operating grants and donations received	-	-	342	342
Taxes and license fees collected	10	-	19,733	19,743
Net Cash Provided (Used) by Noncapital Financing Activities	(141,246)	-	17,575	(123,671)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	(248)	-	(248)
Principal payments on long-term capital financing	-	(440)	(2)	(442)
Proceeds from long-term capital financing	-	-	-	-
Proceeds from sale of capital assets	-	115	-	115
Acquisitions of capital assets	(414)	(1,672)	(1,738)	(3,824)
Net Cash Provided (Used) by Capital and Related Financing Activities	(414)	(2,245)	(1,740)	(4,399)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	40	-	9	49
Proceeds from sale of investment securities	28,406	-	-	28,406
Purchases of investment securities	(4,969)	-	-	(4,969)
Net Cash Provided (Used) by Investing Activities	23,477	-	9	23,486
Net Increase (Decrease) in Cash and Pooled Investments	1,142	1,116	(10,667)	(8,409)
Cash and Pooled Investments, July 1	18,296	9,770	75,193	103,259
Cash and Pooled Investments, June 30	$ 19,438	$ 10,886	$ 64,526	$ 94,850
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ 144,686	$ 4,970	$ (35,226)	$ 114,430
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	136	683	536	1,355
Revenue reduced for uncollectible accounts	28	-	-	28
Change in Assets: Decrease (Increase)				
Receivables	3,632	(2,926)	(2,206)	(1,500)
Inventories	(237)	(887)	(5)	(1,129)
Prepaid expenses	(55)	(142)	(2)	(199)
Change in Deferred Outflows of Resources: Increase (Decrease)	22	(103)	36	(45)
Change in Liabilities: Increase (Decrease)				
Payables	(31,029)	(1,763)	2,167	(30,625)
Change in Deferred Inflows of Resources: Decrease (Increase)	2,142	3,529	8,189	13,860
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 119,325	$ 3,361	$ (26,511)	$ 96,175
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Amortization of annuity prize liability	$ 7,606	$ -	$ -	$ 7,606
Increase (decrease) in fair value of investments	5,008	-	-	5,008

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Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) state Certificate of Participation (COP) financing program; (3) facilities, equipment and related services; (4) printing; (5) audits of state agencies; (6) administration of the state civil service law and labor relations; (7) administrative hearings; and (8) archives and records management.

Data Processing Revolving Fund

The Data Processing Revolving Fund accounts for the distribution of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Higher Education Revolving Fund

The Higher Education Revolving Fund accounts for stores, data processing, and other support service activities at colleges and universities.

Risk Management Fund

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except for the University of Washington and the Washington State Department of Transportation Ferries Division.

Health Insurance Fund

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2015

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and pooled investments	$ 56,385	$ -	$ 343,153
Investments	543	-	5,948
Other receivables (net of allowance)	2,396	207	7,284
Due from other funds	41,948	18,441	8,312
Due from other governments	14,066	7,669	5,602
Inventories	8,022	-	9,623
Prepaid expenses	3,675	4,918	2,852
Restricted cash and investments	82,632	-	-
Restricted receivables	-	11,420	-
Total Current Assets	209,667	42,655	382,774
Noncurrent Assets:			
Investments, noncurrent	-	-	35,649
Restricted receivables, noncurrent	-	2,262	-
Other noncurrent assets	748	43	-
Capital assets:			
Land and other non-depreciable assets	3,551	-	2,661
Buildings	175,744	275,415	56,435
Other improvements	13,562	2,649	4
Furnishings, equipment, and intangibles	523,287	214,372	164,883
Infrastructure	1,833	-	135
Accumulated depreciation	(335,786)	(210,451)	(143,426)
Construction in progress	3,167	20,808	6,974
Total Noncurrent Assets	386,106	305,098	123,315
Total Assets	595,773	347,753	506,089
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	13,077	3,270	2,828
Total Deferred Outflows of Resources	13,077	3,270	2,828
Total Assets and Deferred Outflows of Resources	$ 608,850	$ 351,023	$ 508,917

Continued

Risk Management	Health Insurance	Total
$ 60,817	$ 281,918	$ 742,273
-	6,336	12,827
-	9,545	19,432
2,112	6,531	77,344
-	1,042	28,379
-	-	17,645
36	-	11,481
-	-	82,632
-	-	11,420
62,965	305,372	1,003,433
-	-	35,649
-	-	2,262
-	-	791
-	-	6,212
-	-	507,594
-	-	16,215
8	573	903,123
-	-	1,968
(4)	(452)	(690,119)
-	-	30,949
4	121	814,644
62,969	305,493	1,818,077
-	-	19,175
-	-	19,175
$ 62,969	$ 305,493	$ 1,837,252

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2015

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 11,887	$ 9,180	$ 8,256
Contracts and retainages payable	967	-	623
Accrued liabilities	20,972	2,192	53,490
Obligations under security lending agreements	529	-	-
Bonds and notes payable	65,505	22,416	4,374
Due to other funds	7,668	12,317	15,453
Due to other governments	18,536	1	1
Unearned revenue	2,077	-	131
Claims and judgments payable	-	-	20,459
Total Current Liabilities	128,141	46,106	102,787
Noncurrent Liabilities:			
Claims and judgments payable	-	-	61,742
Bonds and notes payable	128,615	309,623	30,450
Net pension liability	88,391	29,586	271,542
Other long-term liabilities	84,303	25,026	34,909
Total Noncurrent Liabilities	301,309	364,235	398,643
Total Liabilities	429,450	410,341	501,430
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	173	-	-
Deferred inflows on pensions	37,776	12,498	9,944
Total Deferred Inflows of Resources	37,949	12,498	9,944
NET POSITION			
Net investment in capital assets	243,158	(29,245)	52,842
Unrestricted	(101,707)	(42,571)	(55,299)
Total Net Position	141,451	(71,816)	(2,457)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 608,850	$ 351,023	$ 508,917

Concluded

Risk Management	Health Insurance	Total
$ 54	$ 18,793	$ 48,170
-	11	1,601
59	796	77,509
-	6,123	6,652
-	-	92,295
5,551	7,556	48,545
-	-	18,538
-	358	2,566
110,741	73,607	204,807
116,405	107,244	500,683
469,187	-	530,929
-	-	468,688
-	-	389,519
588	2,966	147,792
469,775	2,966	1,536,928
586,180	110,210	2,037,611
-	-	173
-	-	60,218
-	-	60,391
4	120	266,879
(523,215)	195,163	(527,629)
(523,211)	195,283	(260,750)
$ 62,969	$ 305,493	$ 1,837,252

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 30,237	$ 231	$ 15,013
Less: Cost of goods sold	(26,127)	(231)	(13,405)
Gross profit	4,110	-	1,608
Charges for services	252,069	151,521	215,893
Premiums and assessments	205	-	-
Miscellaneous revenue	126,515	22,743	5,466
Total Operating Revenues	382,899	174,264	222,967
OPERATING EXPENSES			
Salaries and wages	144,973	41,420	106,893
Employee benefits	53,817	10,706	72,862
Personal services	9,027	5,934	8,132
Goods and services	137,154	102,437	61,174
Travel	2,826	285	1,363
Premiums and claims	-	-	-
Depreciation and amortization	41,582	34,786	20,716
Miscellaneous expenses	584	29	209
Total Operating Expenses	389,963	195,597	271,349
Operating Income (Loss)	(7,064)	(21,333)	(48,382)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	144	-	14,906
Interest expense	(7,196)	(18,489)	(1,704)
Tax and license revenue	25	-	-
Other revenues (expenses)	1,987	(282)	(658)
Total Nonoperating Revenues (Expenses)	(5,040)	(18,771)	12,544
Income (Loss) Before Contributions and Transfers	(12,104)	(40,104)	(35,838)
Capital contributions	8,252	-	-
Transfers in	12,276	24,864	14,592
Transfers out	(5,198)	(16,613)	(19,369)
Net Contributions and Transfers	15,330	8,251	(4,777)
Change in Net Position	3,226	(31,853)	(40,615)
Net Position - Beginning, as restated	138,225	(39,963)	38,158
Net Position - Ending	$ 141,451	$ (71,816)	$ (2,457)

Risk Management	Health Insurance	Total
$ -	$ -	$ 45,481
-	-	(39,763)
-	-	5,718
2,821	-	622,304
90,157	1,116,453	1,206,815
-	1,473	156,197
92,978	1,117,926	1,991,034
1,288	5,264	299,838
452	1,981	139,818
57	4,536	27,686
21,963	6,408	329,136
23	50	4,547
106,213	1,335,699	1,441,912
2	64	97,150
26	7	855
130,024	1,354,009	2,340,942
(37,046)	(236,083)	(349,908)
-	1,697	16,747
-	-	(27,389)
-	-	25
-	-	1,047
-	1,697	(9,570)
(37,046)	(234,386)	(359,478)
-	-	8,252
-	4,245	55,977
-	(3,110)	(44,290)
-	1,135	19,939
(37,046)	(233,251)	(339,539)
(486,165)	428,534	78,789
$ (523,211)	$ 195,283	$ (260,750)

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 280,920	$ 154,763	$ 459,893
Payments to suppliers	(180,691)	(103,408)	(128,088)
Payments to employees	(192,191)	(53,049)	(161,819)
Other receipts	133,770	22,744	5,467
Net Cash Provided (Used) by Operating Activities	41,808	21,050	175,453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	12,276	24,864	14,592
Transfers out	(5,198)	(16,613)	(19,369)
Operating grants and donations received	504	159	52
Taxes and license fees collected	25	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	7,607	8,410	(4,725)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(4,346)	(16,935)	(1,704)
Principal payments on long-term capital financing	(11,513)	(24,673)	(5,865)
Proceeds from long-term capital financing	14,231	24,371	-
Proceeds from sale of capital assets	6,083	906	1,609
Acquisitions of capital assets	(58,320)	(27,188)	(38,351)
Net Cash Provided (Used) by Capital and Related Financing Activities	(53,865)	(43,519)	(44,311)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	120	-	14,904
Proceeds from sale of investment securities	-	-	493
Purchases of investment securities	-	-	(16,640)
Net Cash Provided (Used) by Investing Activities	120	-	(1,243)
Net Increase (Decrease) in Cash and Pooled Investments	(4,330)	(14,059)	125,174
Cash and Pooled Investments, July 1, as restated	143,347	14,059	217,979
Cash and Pooled Investments, June 30	$ 139,017	$ -	$ 343,153
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (7,064)	$ (21,333)	$ (48,382)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	41,582	34,786	20,716
Revenue reduced for uncollectible accounts	103	-	12
Change in Assets: Decrease (Increase)			
Receivables	(3,185)	3,011	(4,118)
Inventories	1,094		857
Prepaid expenses	(1,529)	(2,079)	(2,849)
Change in Deferred Outflows of Resources: Increase (Decrease)	(1,663)	531	179
Change in Liabilities: Increase (Decrease)			
Payables	(25,306)	(6,364)	199,094
Change in Deferred Inflows of Resources: Decrease (Increase)	37,776	12,498	9,944
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 41,808	$ 21,050	$ 175,453
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 8,252	$ -	$ -
Increase (decrease) in fair value of investments	(24)	-	1

Risk Management	Health Insurance	Total
$ 92,805	$ 1,123,961	$ 2,112,342
(97,568)	(1,354,416)	(1,864,171)
(1,702)	(6,920)	(415,681)
-	1,472	163,453
(6,465)	(235,903)	(4,057)
-	4,245	55,977
-	(3,110)	(44,290)
-	-	715
-	-	25
-	1,135	12,427
-	-	(22,985)
-	-	(42,051)
-	-	38,602
-	-	8,598
-	(29)	(123,888)
-	(29)	(141,724)
-	744	15,768
-	3,521	4,014
-	-	(16,640)
-	4,265	3,142
(6,465)	(230,532)	(130,212)
67,282	512,450	955,117
$ 60,817	$ 281,918	$ 824,905
$ (37,046)	$ (236,083)	$ (349,908)
2	64	97,150
-	-	115
(172)	7,505	3,041
-	-	1,951
(36)	-	(6,493)
-	-	(953)
30,787	(7,389)	190,822
-	-	60,218
$ (6,465)	$ (235,903)	$ (4,057)
$ -	$ -	$ 8,252
-	546	523

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Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

PENSION FUNDS

Pension Trust Funds account for transactions, assets, liabilities, and plan net assets available for plan benefits of the various state public employee retirement systems. Refer to Note 11, Retirement Plans, for a description of the individual pension plans.

Public Employees' Retirement System Plan 1 Fund

The Public Employees' Retirement System Plan 1 Fund provides benefits for state and local government employees who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Public Employees' Retirement System Plan 2/3 Fund

The Public Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for state and local government employees who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Public Employees' Retirement System Plan 3 Fund

The Public Employees' Retirement System Plan 3 fund provides the defined contribution portion of benefits for state and local government employees who are members of this combination defined benefit/defined contribution plan.

Teachers' Retirement System Plan 1 Fund

The Teachers' Retirement System Plan 1 Fund provides benefits for certificated public school instructors, administrators, or supervisors who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Teachers' Retirement System Plan 2/3 Fund

The Teachers' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for certificated public school instructors, administrators, or supervisors who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Teachers' Retirement System Plan 3 Fund

The Teachers' Retirement System Plan 3 fund provides the defined contribution portion of benefits for certificated public school instructors, administrators, or supervisors who are members of this combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 2/3 Fund

The School Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for classified employees of public school districts and educational service districts who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, or Plan 3, a combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 3 Fund

The School Employees' Retirement System Plan 3 Fund provides the defined contribution portion of benefits for classified employees of public school districts and educational service districts who are members of this combination defined benefit/defined contribution plan.

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 Fund

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this closed cost-sharing, defined benefit pension plan.

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this cost-sharing, defined benefit pension plan.

Washington State Patrol Retirement System Plan 1/2 Fund

The Washington State Patrol Retirement System Plan 1/2 Fund provides benefits for commissioned officers of the Washington State Patrol who are members of this single-employer, defined benefit pension plan.

Judicial Retirement System Fund

The Judicial Retirement System Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Judicial Retirement Account Fund

The Judicial Retirement Account Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this defined contribution pension plan.

Judges' Retirement Fund

The Judges' Retirement Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Volunteer Fire Fighters' Retirement System Fund

The Volunteer Fire Fighters' Retirement System Fund provides benefits to volunteer fire fighters of electing municipalities of the state who are members of this cost-sharing, multiple-employer defined benefit pension plan.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

Local Government Distributions Fund

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

Pooled Investments Fund

The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund

The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2015

(expressed in thousands)

Continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ASSETS					
Cash and pooled investments	$ 559	$ 3,018	$ 122	$ 567	$ 3,079
Receivables:					
Employer accounts receivable	3,380	62,088	4,912	1,348	39,194
Member accounts receivable (net of allowance)	533	220	-	187	40
Due from other pension and other employee benefit funds	18,134	12,767	576	9,170	7,107
Interest and dividends	21,324	83,047	4,028	17,124	29,129
Investment trades pending	202,252	788,154	38,225	162,420	276,427
Other receivables, all other funds	1	6	-	1	5
Total Receivables	245,624	946,282	47,741	190,250	351,902
Investments, Noncurrent:					
Public equity	2,757,704	10,746,478	1,504,191	2,214,598	3,769,083
Fixed income	1,653,970	6,445,345	312,595	1,328,235	2,260,559
Private equity	1,709,367	6,661,222	323,065	1,372,722	2,336,273
Real estate	1,108,305	4,318,946	209,466	890,034	1,514,772
Security lending	78,077	304,259	14,756	62,701	106,712
Liquidity	191,283	746,936	41,522	154,925	270,623
Tangible assets	151,096	588,806	28,557	121,339	206,510
Total Investments, Noncurrent	7,649,802	29,811,992	2,434,152	6,144,554	10,464,532
Total Assets	7,895,985	30,761,292	2,482,015	6,335,371	10,819,513
LIABILITIES					
Obligations under security lending agreements	78,402	304,521	14,756	62,942	106,927
Accrued liabilities	243,611	929,189	49,070	196,612	326,260
Due to other pension and other employee benefit funds	15,557	15,385	-	5,986	9,170
Unearned revenues	103	238	-	243	125
Total Liabilities	337,673	1,249,333	63,826	265,783	442,482
NET POSITION					
Net position restricted for:					
Pension Benefits	7,558,312	29,511,959	2,418,189	6,069,588	10,377,031
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,558,312	$ 29,511,959	$ 2,418,189	$ 6,069,588	$ 10,377,031

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2015

(expressed in thousands)

Continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and pooled investments	$ 3,245	$ 2,245	$ 747	$ 769	$ 895
Receivables:					
Employer accounts receivable	24,796	15,105	5,421	654	15,884
Member accounts receivable (net of allowance)	-	17	-	131	54
Due from other pension and other employee benefit funds	-	2,974	-	-	-
Interest and dividends	12,423	11,419	3,546	15,823	27,645
Investment trades pending	117,886	108,368	33,647	150,123	262,356
Other receivables, all other funds	-	3	-	1	102
Total Receivables	155,105	137,886	42,614	166,732	306,041
Investments, Noncurrent:					
Public equity	4,395,189	1,477,596	884,405	2,046,924	3,577,228
Fixed income	964,049	886,208	275,158	1,227,670	2,145,491
Private equity	996,338	915,890	284,374	1,268,789	2,217,351
Real estate	645,997	593,837	184,380	822,647	1,437,667
Security lending	45,509	41,834	12,989	57,953	101,280
Liquidity	129,262	103,663	35,523	141,102	261,008
Tangible assets	88,069	80,958	25,137	112,152	195,999
Total Investments, Noncurrent	7,264,413	4,099,986	1,701,966	5,677,237	9,936,024
Total Assets	7,422,763	4,240,117	1,745,327	5,844,738	10,242,960
LIABILITIES					
Obligations under security lending agreements	45,509	41,937	12,988	58,055	101,355
Accrued liabilities	144,955	128,022	43,319	176,532	308,622
Due to other pension and other employee benefit funds	1,121	2,879	549	-	-
Unearned revenues	-	1	-	-	315
Total Liabilities	191,585	172,839	56,856	234,587	410,292
NET POSITION					
Net position restricted for:					
Pension Benefits	7,231,178	4,067,278	1,688,471	5,610,151	9,832,668
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,231,178	$ 4,067,278	$ 1,688,471	$ 5,610,151	$ 9,832,668

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2015

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ASSETS				
Cash and pooled investments	$ 696	$ 242	$ 6,355	$ 9
Receivables:				
Employer accounts receivable	562	2,419	-	-
Member accounts receivable (net of allowance)	2	-	-	2
Due from other pension and other employee benefit funds	-	363	-	-
Interest and dividends	3,129	979	-	-
Investment trades pending	29,684	9,284	-	-
Other receivables, all other funds	-	-	7	-
Total Receivables	33,377	13,045	7	2
Investments, Noncurrent:				
Public equity	404,749	126,589	-	12,234
Fixed income	242,753	75,924	-	-
Private equity	250,884	78,467	-	-
Real estate	162,666	50,876	-	-
Security lending	11,460	3,593	-	-
Liquidity	28,439	12,065	187	-
Tangible assets	22,177	6,936	-	-
Total Investments, Noncurrent	1,123,128	354,450	187	12,234
Total Assets	1,157,201	367,737	6,549	12,245
LIABILITIES				
Obligations under security lending agreements	11,494	3,593	183	-
Accrued liabilities	35,080	10,940	33	-
Due to other pension and other employee benefit funds	-	444	-	-
Unearned revenues	1	-	-	-
Total Liabilities	46,575	14,977	216	-
NET POSITION				
Net position restricted for:				
Pension Benefits	1,110,626	352,760	6,333	12,245
Deferred compensation participants	-	-	-	-
Total Net Position	$ 1,110,626	$ 352,760	$ 6,333	$ 12,245

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2015

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ASSETS				
Cash and pooled investments	$ 516	$ 20,541	$ 2,031	$ 45,636
Receivables:				
Employer accounts receivable	-	-	-	175,763
Member accounts receivable (net of allowance)	-	-	2,569	3,755
Due from other pension and other employee benefit funds	-	-	-	51,091
Interest and dividends	-	528	-	230,144
Investment trades pending	-	5,015	-	2,183,841
Other receivables, all other funds	1	9	1	137
Total Receivables	1	5,552	2,570	2,644,731
Investments, Noncurrent:				
Public equity	-	68,384	3,609,107	37,594,459
Fixed income	-	41,014	-	17,858,971
Private equity	-	42,388	-	18,457,130
Real estate	-	27,483	-	11,967,076
Security lending	-	1,936	-	843,059
Liquidity	15	5,274	58	2,121,885
Tangible assets	-	3,747	-	1,631,483
Total Investments, Noncurrent	15	190,226	3,609,165	90,474,063
Total Assets	532	216,319	3,613,766	93,164,430
LIABILITIES				
Obligations under security lending agreements	15	2,513	57	845,247
Accrued liabilities	2	5,951	1,431	2,599,629
Due to other pension and other employee benefit funds	-	-	-	51,091
Unearned revenues	-	-	-	1,026
Total Liabilities	17	8,464	1,488	3,496,993
NET POSITION				
Net position restricted for:				
Pension Benefits	515	207,855	-	86,055,159
Deferred compensation participants	-	-	3,612,278	3,612,278
Total Net Position	$ 515	$ 207,855	$ 3,612,278	$ 89,667,437

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

Continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ADDITIONS					
Contributions:					
Employers	$ 462,100	$ 446,127	$ -	$ 223,886	$ 267,038
Members	21,616	374,825	110,936	10,324	52,713
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	483,716	820,952	110,936	234,210	319,751
Investment Income:					
Net appreciation (depreciation) in fair value	191,779	756,341	53,627	152,936	266,234
Interest and dividends	174,053	648,978	33,126	140,684	226,260
Less: investment expenses	(29,522)	(110,019)	(6,215)	(23,879)	(38,969)
Net investment income (loss)	336,310	1,295,300	80,538	269,741	453,525
Transfers from other plans	22	206	1,708	-	41
Other additions	1	-	1	1	-
Total Additions	820,049	2,116,458	193,183	503,952	773,317
DEDUCTIONS					
Pension benefits	1,198,965	668,048	-	927,015	189,136
Pension refunds	4,029	32,857	94,726	1,556	(3,084)
Transfers to other plans	30	1,823	388	-	659
Administrative expenses	269	581	-	28	64
Distributions to participants	-	-	-	-	-
Total Deductions	1,203,293	703,309	95,114	928,599	186,775
Net Increase (Decrease)	(383,244)	1,413,149	98,069	(424,647)	586,542
Net Position - Beginning	7,941,556	28,098,810	2,320,120	6,494,235	9,790,489
Net Position - Ending	$ 7,558,312	$ 29,511,959	$ 2,418,189	$ 6,069,588	$ 10,377,031

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

Continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ADDITIONS					
Contributions:					
Employers	$ -	$ 97,386	$ -	$ 60	$ 89,122
Members	286,156	35,446	62,645	1,016	165,772
State	-	-	-	-	58,339
Participants	-	-	-	-	-
Total Contributions	286,156	132,832	62,645	1,076	313,233
Investment Income:					
Net appreciation (depreciation) in fair value	174,524	104,380	39,102	142,981	251,747
Interest and dividends	101,115	88,895	28,760	127,401	215,034
Less: investment expenses	(18,922)	(15,237)	(5,041)	(21,589)	(37,523)
Net investment income (loss)	256,717	178,038	62,821	248,793	429,258
Transfers from other plans	1,372	49	825	237	-
Other additions	(2)	-	1	-	-
Total Additions	544,243	310,919	126,292	250,106	742,491
DEDUCTIONS					
Pension benefits	-	97,711	-	358,411	151,486
Pension refunds	275,302	1,365	87,820	334	8,541
Transfers to other plans	716	630	270	-	238
Administrative expenses	-	20	-	18	360
Distributions to participants	-	-	-	-	-
Total Deductions	276,018	99,726	88,090	358,763	160,625
Net Increase (Decrease)	268,225	211,193	38,202	(108,657)	581,866
Net Position - Beginning	6,962,953	3,856,085	1,650,269	5,718,808	9,250,802
Net Position - Ending	$ 7,231,178	$ 4,067,278	$ 1,688,471	$ 5,610,151	$ 9,832,668

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ADDITIONS				
Contributions:				
Employers	$ 6,679	$ 18,704	$ -	$ 20
Members	6,323	18,664	-	20
State	-	-	10,600	-
Participants	-	-	-	-
Total Contributions	13,002	37,368	10,600	40
Investment Income:				
Net appreciation (depreciation) in fair value	28,387	8,993	8	128
Interest and dividends	24,870	7,329	29	37
Less: investment expenses	(4,211)	(1,239)	-	(16)
Net investment income (loss)	49,046	15,083	37	149
Transfers from other plans	293	1	-	-
Other additions	-	-	-	-
Total Additions	62,341	52,452	10,637	189
DEDUCTIONS				
Pension benefits	49,772	444	9,334	975
Pension refunds	302	2,612	-	-
Transfers to other plans	-	-	-	-
Administrative expenses	68	3	-	-
Distributions to participants	-	-	-	-
Total Deductions	50,142	3,059	9,334	975
Net Increase (Decrease)	12,199	49,393	1,303	(786)
Net Position - Beginning	1,098,427	303,367	5,030	13,031
Net Position - Ending	$ 1,110,626	$ 352,760	$ 6,333	$ 12,245

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS				
Contributions:				
Employers	$ -	$ 913	$ -	$ 1,612,035
Members	-	76	-	1,146,532
State	-	5,903	-	74,842
Participants	-	-	208,424	208,424
Total Contributions	-	6,892	208,424	3,041,833
Investment Income:				
Net appreciation (depreciation) in fair value	1	4,709	45,655	2,221,532
Interest and dividends	3	4,298	10,413	1,831,285
Less: investment expenses	-	(718)	(4,647)	(317,747)
Net investment income (loss)	4	8,289	51,421	3,735,070
Transfers from other plans	-	-	-	4,754
Other additions	-	-	11	13
Total Additions	4	15,181	259,856	6,781,670
DEDUCTIONS				
Pension benefits	445	10,468	-	3,662,210
Pension refunds	-	33	-	506,393
Transfers to other plans	-	-	-	4,754
Administrative expenses	-	1,020	-	2,431
Distributions to participants	-	-	225,333	225,333
Total Deductions	445	11,521	225,333	4,401,121
Net Increase (Decrease)	(441)	3,660	34,523	2,380,549
Net Position - Beginning	956	204,195	3,577,755	87,286,888
Net Position - Ending	$ 515	$ 207,855	$ 3,612,278	$ 89,667,437

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2015

(expressed in thousands)

	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS				
Cash and pooled investments	$ 10,274	$ 8,909	$ 54,204	$ 73,387
Investments	202	2,052	267	2,521
Other receivables	-	2,670	6,009	8,679
Due from other governments	30	17,411	616	18,057
Investments, noncurrent	5	-	207	212
Other noncurrent assets	-	-	58,957	58,957
Total Assets	$ 10,511	$ 31,042	$ 120,260	$ 161,813
LIABILITIES				
Accounts payable	$ -	$ 3,847	$ 3,671	$ 7,518
Contracts and retainages payable	-	24,663	5,230	29,893
Accrued liabilities	5	480	44,450	44,935
Obligations under security lending agreements	202	2,052	267	2,521
Due to other governments	10,304	-	7,685	17,989
Other long-term liabilities	-	-	58,957	58,957
Total Liabilities	$ 10,511	$ 31,042	$ 120,260	$ 161,813

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and pooled investments	$ 6,922	$ 533,639	$ 540,561	$ -
Other receivables	35	86,526	86,561	-
Due from other funds	-	12,263	12,263	-
Due from other governments	-	377	377	-
Total Assets	$ 6,957	$ 632,805	$ 639,762	$ -
LIABILITIES				
Accounts payable	$ 1	$ 14,020	$ 14,021	$ -
Accrued liabilities	6,956	252,848	259,804	-
Due to other funds	-	1,512	1,512	-
Due to other governments	-	191,007	191,007	-
Total Liabilities	$ 6,957	$ 459,387	$ 466,344	$ -
Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	$ 9,688	$ 3,586,957	$ 3,586,371	$ 10,274
Investments	185	17	-	202
Due from other funds	-	3,541,043	3,541,043	-
Due from other governments	10	42	22	30
Investments, noncurrent	-	5	-	5
Total Assets	$ 9,883	$ 7,128,064	$ 7,127,436	$ 10,511
LIABILITIES				
Accrued liabilities	$ -	$ 5	$ -	$ 5
Obligations under security lending agreements	185	17	-	202
Due to other funds	-	18	18	-
Due to other governments	9,698	3,662,810	3,662,204	10,304
Total Liabilities	$ 9,883	$ 3,662,850	$ 3,662,222	$ 10,511
Pooled Investments Fund				
ASSETS				
Cash and pooled investments	$ -	$ 174,730,981	$ 174,730,981	$ -
Investments	-	127,735	127,735	-
Other receivables	-	2,812,594	2,812,594	-
Due from other funds	-	1,292	1,292	-
Investment trades pending receivable	-	59,009,662	59,009,662	-
Investments, noncurrent	-	110,581	110,581	-
Total Assets	$ -	$ 236,792,845	$ 236,792,845	$ -
LIABILITIES				
Accounts payable	$ -	$ 179	$ 179	$ -
Accrued liabilities	-	296,197,919	296,197,919	-
Obligations under security lending agreements	-	203	203	-
Due to other funds	-	2,455	2,455	-
Total Liabilities	$ -	$ 296,200,756	$ 296,200,756	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

Concluded

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	$ 10,920	$ 566,260	$ 568,271	$ 8,909
Investments	3,688	-	1,636	2,052
Other receivables	215	185,144	182,689	2,670
Due from other governments	16,567	382,937	382,093	17,411
Total Assets	$ 31,390	$ 1,134,341	$ 1,134,689	$ 31,042
LIABILITIES				
Accounts payable	$ 3,836	$ 383,118	$ 383,107	$ 3,847
Contracts and retainages payable	23,511	183,156	182,004	24,663
Accrued liabilities	355	125	-	480
Obligations under security lending agreements	3,688	-	1,636	2,052
Total Liabilities	$ 31,390	$ 566,399	$ 566,747	$ 31,042
Other Agency Funds				
ASSETS				
Cash and pooled investments	$ 182,918	$ 6,997,180	$ 7,125,894	$ 54,204
Investments	261	(6,670)	(6,676)	267
Other receivables	5,363	368,982	368,336	6,009
Investment trades pending receivable	-	39,813	39,813	-
Due from other funds	-	30,910	30,910	-
Due from other governments	624	11,282	11,290	616
Investments, noncurrent	194	44,251	44,238	207
Other noncurrent assets	55,976	2,981	-	58,957
Total Assets	$ 245,336	$ 7,488,729	$ 7,613,805	$ 120,260
LIABILITIES				
Accounts payable	$ 781	$ 1,184,302	$ 1,181,412	$ 3,671
Contracts and retainages payable	3,908	691,023	689,701	5,230
Accrued liabilities	177,590	6,047,568	6,180,708	44,450
Obligations under security lending agreements	261	6	-	267
Due to other funds	-	75,154	75,154	-
Due to other governments	6,821	71,437	70,573	7,685
Other long-term obligations	55,975	2,982	-	58,957
Total Liabilities	$ 245,336	$ 8,072,472	$ 8,197,548	$ 120,260
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	$ 210,448	$ 186,415,017	$ 186,552,078	$ 73,387
Investments	4,134	121,082	122,695	2,521
Other receivables	5,613	3,453,246	3,450,180	8,679
Investment trades pending receivable	-	59,049,475	59,049,475	-
Due from other funds	-	3,585,508	3,585,508	-
Due from other governments	17,201	394,638	393,782	18,057
Investments, noncurrent	194	154,837	154,819	212
Other noncurrent assets	55,976	2,981	-	58,957
Total Assets	$ 293,566	$ 253,176,784	$ 253,308,537	$ 161,813
LIABILITIES				
Accounts payable	$ 4,618	$ 1,581,619	$ 1,578,719	$ 7,518
Contracts and retainages payable	27,419	874,179	871,705	29,893
Accrued liabilities	184,901	302,498,465	302,638,431	44,935
Obligations under security lending agreements	4,134	226	1,839	2,521
Due to other funds	-	79,139	79,139	-
Due to other governments	16,519	3,925,254	3,923,784	17,989
Other long-term obligations	55,975	2,982	-	58,957
Total Liabilities	$ 293,566	$ 308,961,864	$ 309,093,617	$ 161,813

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Nonmajor
Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission

The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

Washington Health Care Facilities Authority

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

Washington Higher Education Facilities Authority

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

Washington Economic Development Finance Authority

The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS

Combining Statement of Net Position

June 30, 2015

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and pooled investments	$ 36,075	$ 361	$ 1,985	$ 341	$ 38,762
Investments	54,336	3,200	-	-	57,536
Other receivables (net of allowance)	5,514	85	3	-	5,602
Prepaid expenses	253	12	17	-	282
Total Current Assets	96,178	3,658	2,005	341	102,182
Noncurrent Assets:					
Other noncurrent assets	134,057	-	-	-	134,057
Capital assets:					
Furnishings, equipment and intangible assets	1,783	-	-	-	1,783
Accumulated depreciation	(1,631)	-	-	-	(1,631)
Total Noncurrent Assets	134,209	-	-	-	134,209
Total Assets	230,387	3,658	2,005	341	236,391
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	422	-	-	-	422
Deferred outflows on pensions	-	37	-	-	37
Total Deferred Outflows of Resources	422	37	-	-	459
Total Assets and Deferred Outflows of Resources	$ 230,809	$ 3,695	$ 2,005	$ 341	$ 236,850
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 38,509	$ 119	$ 90	$ -	$ 38,718
Accrued liabilities	1,019	73	-	2	1,094
Unearned revenue	13,606	16	-	-	13,622
Total Current Liabilities	53,134	208	90	2	53,434
Noncurrent Liabilities:					
Net pension liability	3,113	244	-	-	3,357
Total Noncurrent Liabilities	3,113	244	-	-	3,357
Total Liabilities	56,247	452	90	2	56,791
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pensions	1,393	109	-	-	1,502
Total Deferred Inflows of Resources	1,393	109	-	-	1,502
NET POSITION					
Net investment in capital assets	152	-	-	-	152
Restricted for other purposes	1,083	-	-	-	1,083
Unrestricted	171,934	3,134	1,915	339	177,322
Total Net Position	173,169	3,134	1,915	339	178,557
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 230,809	$ 3,695	$ 2,005	$ 341	$ 236,850

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
EXPENSES	$ 21,627	$ 1,373	$ 299	$ 187	$ 23,486
PROGRAM REVENUES					
Charges for services	48,135	973	5	326	49,439
Operating grants and contributions	5,706	-	-	-	5,706
Total Program Revenues	53,841	973	5	326	55,145
Net Program Revenues (Expense)	32,214	(400)	(294)	139	31,659
GENERAL REVENUES					
Earnings (loss) on investments	728	8	3	-	739
Total General Revenues	728	8	3	-	739
Change in Net Position	32,942	(392)	(291)	139	32,398
Net Position - Beginning	140,227	3,526	2,206	200	146,159
Net Position - Ending	$ 173,169	$ 3,134	$ 1,915	$ 339	$ 178,557

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Individual Fund Schedules

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2015

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and pooled investments	$ 1,048,978	$ 620,637	$ 1,669,615
Investments	1,538	33,198	34,736
Taxes receivable (net of allowance)	3,393,471	-	3,393,471
Other receivables (net of allowance)	158,384	16,570	174,954
Due from other funds	218,536	36,252	254,788
Due from other governments	1,024,140	4,055	1,028,195
Inventories and prepaids	13,637	7	13,644
Restricted cash and investments	3,301	48,061	51,362
Restricted receivables	509	-	509
Total Assets	$ 5,862,494	$ 758,780	$ 6,621,274
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 764,875	$ 42,148	$ 807,023
Contracts and retainages payable	44,285	6,291	50,576
Accrued liabilities	214,491	26,614	241,105
Obligations under security lending agreements	59,102	18,340	77,442
Due to other funds	137,560	45,902	183,462
Due to other governments	990,538	2,807	993,345
Unearned revenue	142,291	123	142,414
Claims and judgments payable	29,303	-	29,303
Total Liabilities	2,382,445	142,225	2,524,670
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,426,185	5,000	1,431,185
Total Deferred Inflows of Resources	1,426,185	5,000	1,431,185
FUND BALANCES			
Nonspendable fund balance	47,348	5	47,353
Restricted fund balance	683	532,596	533,279
Committed fund balance	-	105,667	105,667
Assigned fund balance	1,014,952	-	1,014,952
Unassigned fund balance	990,881	(26,713)	964,168
Total Fund Balances	2,053,864	611,555	2,665,419
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,862,494	$ 758,780	$ 6,621,274

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2015

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 8,903,396	$ -	$ 8,903,396
Business and occupation taxes	3,388,542	-	3,388,542
Property taxes	2,018,393	-	2,018,393
Excise taxes	787,226	-	787,226
Other taxes	1,928,356	-	1,928,356
Licenses, permits, and fees	114,845	555	115,400
Other contracts and grants	181,802	-	181,802
Timber sales	1,654	-	1,654
Federal grants-in-aid	12,052,297	466	12,052,763
Charges for services	55,822	-	55,822
Investment income (loss)	5,242	2,423	7,665
Miscellaneous revenue	273,590	13,939	287,529
Unclaimed property	55,885	-	55,885
Total Revenues	29,767,050	17,383	29,784,433
EXPENDITURES			
Current:			
General government	712,689	132,873	845,562
Human services	16,786,335	7,674	16,794,009
Natural resources and recreation	325,080	119,909	444,989
Transportation	34,589	2,773	37,362
Education	9,791,834	384,674	10,176,508
Intergovernmental	37,010	79,831	116,841
Capital outlays	51,806	417	52,223
Debt service:			
Principal	7,524	152	7,676
Interest	1,353	6	1,359
Total Expenditures	27,748,220	728,309	28,476,529
Excess of Revenues Over (Under) Expenditures	2,018,830	(710,926)	1,307,904
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	186,887	186,887
Other debt issued	7,104	25	7,129
Issuance premiums	329	5,022	5,351
Transfers in	341,774	123,813	465,587
Transfers out	(1,618,698)	500,174	(1,118,524)
Total Other Financing Sources (Uses)	(1,269,491)	815,921	(453,570)
Net Change in Fund Balances	749,339	104,995	854,334
Fund Balances - Beginning, as restated	1,304,525	506,560	1,811,085
Fund Balances - Ending	$ 2,053,864	$ 611,555	$ 2,665,419

GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2015

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 167,506	$ 167,506	$ 167,506	$ -
Resources				
Taxes	31,968,320	32,779,484	32,960,671	181,187
Licenses, permits, and fees	196,641	215,102	222,188	7,086
Other contracts and grants	529,124	526,914	420,675	(106,239)
Timber sales	5,040	4,363	3,686	(677)
Federal grants-in-aid	17,167,665	18,935,063	17,772,637	(1,162,426)
Charges for services	68,703	73,439	89,791	16,352
Investment income (loss)	(10,513)	(474)	632	1,106
Miscellaneous revenue	391,786	343,986	358,877	14,891
Unclaimed property	128,649	125,002	116,885	(8,117)
Transfers from other funds	475,463	582,925	667,049	84,124
Total Resources	51,088,384	53,753,310	52,780,597	(972,713)
Charges To Appropriations				
General government	3,433,192	3,437,334	3,303,813	133,521
Human services	26,350,885	28,078,828	27,266,672	812,156
Natural resources and recreation	628,055	655,118	579,152	75,966
Transportation	89,773	89,505	79,817	9,688
Education	19,754,289	19,888,133	19,688,440	199,693
Capital outlays	382,543	386,964	103,972	282,992
Transfers to other funds	522,593	564,680	660,622	(95,942)
Total Charges To Appropriations	51,161,330	53,100,562	51,682,488	1,418,074
Excess Available For Appropriation Over (Under) Charges To Appropriations	(72,946)	652,748	1,098,109	445,361
Reconciling Items				
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Assumed reversions	140,000	239,531	-	(239,531)
Working capital adjustment	-	-	(179,800)	(179,800)
Allocations	50,001	2,500	-	(2,500)
Noncash activity (net)	-	-	70,787	70,787
Nonappropriated fund balances	-	-	-	-
Changes in reserves (net)	-	-	1,785	1,785
Total Reconciling Items	190,001	242,031	(107,228)	(349,259)
Budgetary Fund Balance, June 30	$ 117,055	$ 894,779	$ 990,881	$ 96,102

Administrative Accounts in the General Fund			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 304,740	$ 304,740	$ 304,740	$ -
(160,021)	(159,101)	(157,796)	1,305
619	673	776	103
848	38	-	(38)
-	-	-	-
23,816	23,813	-	(23,813)
-	10	-	(10)
683	1,439	2,525	1,086
190,631	118,926	(6,950)	(125,876)
-	-	-	-
857,589	892,762	817,630	(75,132)
1,218,905	1,183,300	960,925	(222,375)
41,187	55,570	18,400	37,170
24,700	19,746	19,260	486
5,854	70,466	68,899	1,567
4,683	4,650	4,547	103
255,924	249,950	224,245	25,705
583,379	530,758	358,616	172,142
39,183	55,874	64,772	(8,898)
954,910	987,014	758,739	228,275
263,995	196,286	202,186	5,900
138,792	203,542	341,315	137,773
-	891	5,910	5,019
-	-	-	-
-	-	-	-
-	-	-	-
-	-	13,590	13,590
-	-	51,014	51,014
-	-	(2,465)	(2,465)
138,792	204,433	409,364	204,931
$ 402,787	$ 400,719	$ 611,550	$ 210,831

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

FINANCIAL TRENDS

Schedule 1 – Net Position by Component

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2015	2014	2013	2012	2011
GOVERNMENTAL ACTIVITIES					
Net investment in capital assets	$ 19,958	$ 19,816	$ 19,706	$ 19,561	$ 18,723
Restricted	8,320	6,589	6,524	5,296	4,847
Unrestricted	(3,944)	399	111	233	1,160
Total governmental activities net position	$ 24,334	$ 26,804	$ 26,341	$ 25,090	$ 24,730
BUSINESS-TYPE ACTIVITIES					
Net investment in capital assets	$ 973	$ 625	$ 740	$ 797	$ 718
Restricted	4,240	3,815	3,469	3,225	3,199
Unrestricted	(8,945)	(8,318)	(9,067)	(8,599)	(9,662)
Total business-type activities net position	$ (3,732)	$ (3,878)	$ (4,858)	$ (4,577)	$ (5,745)
PRIMARY GOVERNMENT					
Net investment in capital assets	$ 20,931	$ 20,441	$ 20,446	$ 20,358	$ 19,441
Restricted	12,560	10,404	9,993	8,521	8,046
Unrestricted	(12,889)	(7,919)	(8,956)	(8,366)	(8,502)
Total primary government net position	$ 20,602	$ 22,926	$ 21,483	$ 20,513	$ 18,985
COMPONENT UNITS					
Net investment in capital assets	$ 379	$ 420	$ 320	$ 322	$ 332
Restricted	20	22	13	16	20
Unrestricted	432	374	131	109	102
Total component units net position	$ 831	$ 816	$ 464	$ 446	$ 454

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2010	2009	2008	2007	2006
$ 18,201	$ 17,551	$ 17,029	$ 16,189	$ 15,434
5,214	4,887	5,524	5,072	4,343
(217)	1,417	3,544	4,269	3,384
$ 23,198	$ 23,855	$ 26,097	$ 25,530	$ 23,161
$ 913	$ 721	$ 521	$ 598	$ 604
2,930	3,800	4,406	3,891	3,164
(10,864)	(9,737)	(9,211)	(7,256)	(6,132)
$ (7,021)	$ (5,216)	$ (4,284)	$ (2,767)	$ (2,364)
$ 19,114	$ 18,272	$ 17,550	$ 16,787	$ 16,039
8,144	8,687	9,930	8,963	7,507
(11,081)	(8,320)	(5,667)	(2,986)	(2,748)
$ 16,177	$ 18,639	$ 21,813	$ 22,764	$ 20,798
$ 343	$ 354	$ 365	$ 372	$ 392
21	23	24	31	25
96	87	82	74	69
$ 460	$ 464	$ 471	$ 477	$ 486

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2015	2014	2013	2012	2011
EXPENSES					
Governmental activities:					
General government	$ 1,987	$ 1,607	$ 1,537	$ 1,219	$ 1,674
Education - elementary and secondary (K-12)	9,426	8,914	8,237	8,257	8,055
Education - higher education	7,095	6,910	6,992	6,526	6,257
Human services	16,890	15,052	13,182	13,168	13,363
Adult corrections	956	911	844	886	935
Natural resources and recreation	1,335	1,137	1,096	982	996
Transportation	2,309	2,400	2,379	2,396	1,981
Interest on long-term debt	981	938	955	910	882
Total governmental activities expenses	40,978	37,869	35,222	34,345	34,144
Business-type activities:					
Workers' compensation	3,018	3,142	3,329	1,919	1,219
Unemployment compensation	968	1,380	1,983	2,817	3,690
Higher education student services	2,314	2,080	1,927	1,834	1,820
Health insurance programs (1)	-	-	-	-	-
Liquor control (2)(3)	-	-	-	566	556
Washington's lottery (2)	466	463	437	407	393
Guaranteed education tuition program (5)	(585)	185	(105)	-	-
Other	157	133	126	210	784
Total business-type activities expenses	6,338	7,383	7,697	7,754	8,463
Total primary government expenses	$ 47,317	$ 45,252	$ 42,919	$ 42,099	$ 42,607
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 887	$ 870	$ 977	$ 702	$ 645
Education - elementary and secondary (K-12)	21	26	14	10	16
Education - higher education	2,815	2,741	2,760	2,662	2,379
Human services	659	612	544	531	462
Adult corrections	8	8	8	8	7
Natural resources and recreation	455	510	421	434	478
Transportation	1,139	1,082	1,025	878	914
Operating grants and contributions	15,158	13,240	12,027	11,790	12,609
Capital grants and contributions	867	1,066	997	944	833
Total governmental activities program revenues	22,010	20,155	18,773	17,960	18,343
Business-type activities:					
Charges for services:					
Workers' compensation	2,375	2,237	2,154	2,046	2,019
Unemployment compensation	1,257	1,349	1,308	1,346	1,573
Higher education student services	2,216	1,987	1,857	1,762	1,615
Health insurance programs (1)	-	-	-	-	-
Liquor control (2)(3)	-	-	-	582	596
Washington's lottery (2)	603	595	570	535	511
Guaranteed education tuition program (5)	53	138	174	-	-
Other	126	110	103	121	152
Operating grants and contributions	77	326	870	1,443	2,305
Capital grants and contributions	-	-	-	1	13
Total business-type activities program revenues	6,707	6,742	7,036	7,836	8,784
Total primary government program revenues	$ 28,717	$ 26,897	$ 25,809	$ 25,796	$ 27,127
NET (EXPENSE)/REVENUE					
Governmental activities	$ (18,969)	$ (17,714)	$ (16,449)	$ (16,385)	$ (15,800)
Business-type activities	369	(641)	(661)	83	321
Total primary government net expense	$ (18,600)	$ (18,355)	$ (17,110)	$ (16,302)	$ (15,479)

Refer to footnotes on page 266.

continued

2010	2009	2008	2007	2006
$ 1,738	$ 1,815	$ 1,609	$ 1,525	$ 1,320
8,468	8,549	7,476	6,871	6,642
6,051	6,044	5,710	5,244	4,804
12,946	12,436	11,260	10,473	10,082
938	1,044	1,020	811	749
1,084	1,062	931	983	777
2,073	1,883	1,894	1,588	1,527
810	728	643	553	533
34,108	33,561	30,543	28,048	26,434
4,268	2,544	4,068	3,841	2,267
4,729	2,360	791	697	736
1,628	1,502	1,470	1,305	1,254
-	-	-	-	1,244
552	540	-	-	-
389	401	-	-	-
-	-	-	-	-
345	391	1,204	1,103	1,042
11,911	7,738	7,533	6,946	6,543
$ 46,019	$ 41,299	$ 38,076	$ 34,994	$ 32,977
$ 534	$ 600	$ 651	$ 576	$ 513
12	19	13	14	13
2,210	2,170	1,718	1,545	1,282
345	300	251	236	234
18	9	10	10	6
564	400	376	393	390
899	900	894	844	787
12,193	10,565	8,725	8,286	8,260
939	706	746	744	610
17,716	15,669	13,384	12,648	12,095
1,755	1,856	1,596	1,710	1,790
1,288	1,011	1,094	1,248	1,411
1,698	1,556	1,444	1,347	1,266
-	-	-	-	1,342
593	574	-	-	-
491	488	-	-	-
-	-	-	-	-
162	156	1,230	1,166	1,102
2,468	572	42	46	55
-	-	-	-	-
8,455	6,212	5,406	5,518	6,966
$ 26,171	$ 21,881	$ 18,790	$ 18,166	$ 19,061
$ (16,392)	$ (17,892)	$ (17,159)	$ (15,400)	$ (14,339)
(3,456)	(1,526)	(2,127)	(1,427)	423
$ (19,848)	$ (19,418)	$ (19,286)	$ (16,827)	$ (13,916)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2015	2014	2013	2012	2011
GENERAL REVENUES & OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Sales and use tax	$ 9,001	$ 8,365	$ 7,710	$ 7,349	$ 7,349
Business and occupation	3,394	3,267	3,294	3,149	3,077
Property	2,018	1,974	1,940	1,897	1,858
Other	3,719	4,244	4,128	3,946	3,881
Interest and investment earnings (loss)	307	621	397	169	474
Contributions to endowments	65	66	63	47	69
Extraordinary loss (asset impairment)	-	-	-	-	-
Transfers	136	94	114	165	231
Total governmental activities	18,641	18,631	17,646	16,722	16,939
Business-type activities:					
Taxes - other	20	22	22	72	174
Interest and investment earnings	377	1,618	523	1,150	1,611
Transfers	(136)	(94)	(114)	(165)	(231)
Other general revenue	-	-	-	30	-
Special item [4]	-	-	-	-	(223)
Total business-type activities	261	1,546	431	1,088	1,331
Total primary government	$ 18,902	$ 20,177	$ 18,077	$ 17,810	$ 18,270
CHANGE IN NET POSITION					
Governmental activities	$ (328)	$ 917	$ 1,197	$ 337	$ 1,140
Business-type activities	630	905	(230)	1,171	1,653
Total primary government	$ 302	$ 1,822	$ 967	$ 1,508	$ 2,793
COMPONENT UNITS					
Total expenses	$ 1,080	$ 859	$ 46	$ 60	$ 131
Program revenues:					
Charges for services	945	802	33	18	17
Operating grants and contributions	126	95	29	32	105
Capital grants and contributions	-	-	2	1	1
Total program revenues	1,071	897	64	51	123
Net (expense) / revenue	(9)	38	18	(9)	(8)
General revenues - property taxes and other	18	17	-	-	-
General revenues - interest and investment earnings (loss)	5	(14)	-	2	2
Total component units - change in net position	$ 14	$ 41	$ 18	$ (8)	$ (6)

(1) Health insurance programs is zero beginning in 2007 due to fund reclassifications.
(2) Liquor control and Washington's lottery were separated from other business-type activities in 2009.
(3) The Liquor control distribution and sale of spirits ceased with the passage of Initative 1183. The remaining activities of Liquor control for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.
(4) The Convention and Trade Center was transferred to another government in 2011.
(5) Guaranteed education tuition program was separated from other business-type activities in 2013.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

concluded

2010	2009	2008	2007	2006
$ 6,871	$ 7,306	$ 8,341	$ 7,952	$ 7,429
2,597	2,614	2,851	2,756	2,484
1,822	1,785	1,742	1,688	1,630
3,692	4,296	3,959	4,308	3,957
449	(212)	464	818	475
52	57	95	97	131
-	-	-	-	(84)
252	(190)	272	204	252
15,735	15,656	17,724	17,824	16,273
160	113	115	108	100
1,742	291	767	1,316	147
(252)	190	(272)	(204)	(252)
-	-	-	-	-
-	-	-	-	-
1,650	594	610	1,220	(5)
$ 17,385	$ 16,250	$ 18,334	$ 19,044	$ 16,268
$ (657)	$ (2,236)	$ 565	$ 2,424	$ 1,934
(1,806)	(932)	(1,517)	(207)	418
$ (2,463)	$ (3,168)	$ (952)	$ 2,216	$ 2,352
$ 68	$ 29	$ 30	$ 30	$ 29
16	15	16	15	13
44	1	-	-	-
1	1	1	1	1
61	17	17	16	14
(7)	(12)	(13)	(14)	(15)
-	-	-	-	-
3	5	7	5	3
$ (4)	$ (7)	$ (6)	$ (9)	$ (12)

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds [1]

Last Ten Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2015	2014	2013	2012	2011
GENERAL FUND					
Nonspendable	$ 47,353	$ 50,475	$ 49,819	$ 54,726	$ 89,916
Restricted	533,279	416,652	299,165	161,689	23,273
Committed	105,667	142,586	59,579	78,117	98,077
Assigned	1,014,952	879,952	835,152	710,091	1,114,699
Unassigned	964,168	336,476	138,875	-	(107,764)
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, designated for:					
Working capital	N/A	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A	N/A
Total General Fund	2,665,419	1,826,141	1,382,590	1,004,623	1,218,201
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	2,487,573	2,438,057	2,289,499	2,207,007	3,664,194
Restricted	3,835,980	4,008,161	3,895,017	4,919,729	3,790,577
Committed	5,860,326	5,138,780	4,937,328	3,503,646	2,052,523
Assigned	16,060	-	40	44	45
Unassigned	(167,356)	-	(79,327)	-	(174,472)
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, designated for:					
Higher education	N/A	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A	N/A
Debt service funds	N/A	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A	N/A
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	N/A	N/A	N/A	N/A	N/A
Nonmajor capital project funds	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	12,032,583	11,584,998	11,042,557	10,630,426	9,332,867
Total governmental fund balances	**$ 14,698,002**	**$ 13,411,139**	**$ 12,425,147**	**$ 11,635,049**	**$ 10,551,068**

[1] Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

N/A indicates data not applicable.

Source: Washington State Office of Financial Management, Accounting Division

	2010	2009	2008	2007	2006
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	$ 76,164	$ 74,929	$ 200,794	$ 119,687	$ 230,848
	863,652	897,763	1,040,563	1,002,963	1,076,631
	(561,067)	189,258	677,431	780,510	569,326
	378,749	1,161,950	1,918,788	1,903,160	1,876,805
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	6,298,440	4,993,402	6,549,844	5,435,860	5,061,345
	107,624	155,679	155,679	155,679	155,679
	157	165	220	221	229
	170,200	267,470	362,122	220,474	206,228
	2,297,145	814,231	1,006,121	1,151,829	454,714
	1,219,705	1,848,410	2,432,112	3,040,036	2,585,037
	69,192	307,556	106,741	246,060	70,275
	10,162,463	8,386,913	10,612,839	10,250,159	8,533,507
	$ 10,541,212	$ 9,548,863	$ 12,531,627	$ 12,153,319	$ 10,410,312

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2015	2014	2013	2012	2011
REVENUES					
Taxes:					
Retail sales and use	$ 9,001	$ 8,365	$ 7,710	$ 7,349	$ 7,349
Business and occupation	3,394	3,267	3,294	3,149	3,077
Motor vehicle and fuel	1,253	1,215	1,195	1,178	1,206
Liquor, beer, and wine	331	321	365	323	229
Cigarette and tobacco	474	443	465	471	494
Insurance premiums	556	467	436	430	413
Public utilities	455	464	440	438	450
Property	2,018	1,974	1,940	1,897	1,858
Excise	927	717	651	495	447
Gift and inheritance	150	157	104	105	123
Other taxes	410	474	444	424	438
Total Taxes	18,969	17,864	17,044	16,260	16,084
Licenses, permits, and fees	1,660	1,627	1,599	1,244	1,072
Federal grants-in-aid	14,712	13,168	11,889	11,905	12,599
Charges and miscellaneous revenue	5,751	5,369	5,321	4,852	4,722
Investment income (loss)	307	621	397	169	474
Total Revenues	41,399	38,649	36,250	34,431	34,951
EXPENDITURES					
Current:					
General government	1,330	1,280	1,162	1,169	1,375
Human services	17,566	15,733	13,957	13,903	14,134
Natural resources and recreation	1,239	1,037	1,043	920	966
Transportation	1,883	1,817	1,797	1,788	1,809
Education	15,915	15,130	14,551	14,275	14,086
Intergovernmental	465	456	440	399	393
Capital outlays	2,247	2,293	2,456	2,224	2,403
Debt service:					
Principal	944	868	784	728	697
Interest	982	939	921	884	830
Total Expenditures	42,572	39,552	37,111	36,288	36,692
Revenues Over (Under) Expenditures	(1,174)	(903)	(861)	(1,858)	(1,741)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	1,368	2,038	1,344	2,759	989
Other debt issued, net of refunding	31	45	156	21	154
Transfers in	5,062	4,356	3,152	2,669	3,860
Transfers out	(4,937)	(4,274)	(3,051)	(2,517)	(3,636)
Net Other Financing Sources (Uses)	1,524	2,165	1,601	2,931	1,367
Net Change in Fund Balances	$ 350	$ 1,262	$ 740	$ 1,074	$ (374)
Debt service as a percentage of noncapital expenditures	4.5%	4.8%	4.9%	4.7%	4.5%

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2010	2009	2008	2007	2006
$ 6,871	$ 7,306	$ 8,341	$ 7,952	$ 7,429
2,597	2,614	2,851	2,756	2,484
1,219	1,183	1,170	1,135	1,030
223	222	214	207	197
426	432	413	439	469
406	408	415	392	379
416	430	428	408	381
1,822	1,785	1,742	1,688	1,630
471	487	781	1,107	1,067
82	139	111	183	19
418	361	427	437	419
14,951	15,368	16,892	16,704	15,502
987	899	911	863	788
12,388	10,548	8,767	8,317	8,095
4,460	4,145	3,869	3,559	3,345
449	(212)	464	818	475
33,235	30,748	30,903	30,261	28,206
1,474	1,377	1,254	1,146	990
13,736	13,154	12,115	11,242	10,777
889	999	897	906	729
1,876	1,847	1,803	1,647	1,489
13,989	13,826	12,860	11,789	11,103
382	383	379	378	359
2,260	2,446	2,264	2,296	1,710
671	645	586	528	500
740	670	589	545	509
36,016	35,348	32,748	30,477	28,165
(2,782)	(4,599)	(1,845)	(216)	41
3,416	1,781	1,957	1,674	1,162
112	49	19	63	44
3,699	4,125	2,628	3,308	3,312
(3,452)	(4,340)	(2,382)	(3,086)	(3,068)
3,774	1,615	2,222	1,959	1,451
$ 993	$ (2,985)	$ 377	$ 1,743	$ 1,492
4.2%	4.0%	3.9%	3.8%	3.8%

FINANCIAL TRENDS

Schedule 5 – Revenues, Expenditures, and Other Financing Sources (Uses)
General Fund

Last Ten Fiscal Years (expressed in millions)

	2015	2014	2013	2012	2011
REVENUES					
Taxes:					
Retail sales and use	$ 8,903	$ 8,275	$ 7,629	$ 7,274	$ 7,275
Business and occupation	3,389	3,262	3,291	3,145	3,072
Liquor, beer, and wine	282	274	340	296	202
Cigarette and tobacco	474	443	465	471	498
Insurance premiums	529	457	426	421	404
Public utilities	437	447	423	427	449
Property	2,018	1,974	1,940	1,897	1,858
Excise	787	650	583	434	414
Gift and inheritance	(1)	-	3	-	1
Other taxes	207	226	194	183	250
Total Taxes	17,025	16,008	15,294	14,547	14,424
Licenses, permits, and fees	115	108	105	99	88
Federal grants-in-aid	12,053	10,226	8,780	8,824	9,597
Charges and miscellaneous revenue	583	506	540	520	556
Investment income (loss)	8	7	(17)	(6)	(15)
Total Revenues	29,784	26,855	24,702	23,983	24,650
EXPENDITURES					
Current:					
General government	846	833	721	745	923
Human services	16,794	14,920	13,236	13,209	13,473
Natural resources and recreation	445	409	420	373	388
Transportation	37	42	48	42	41
Education	10,177	9,754	9,115	9,169	9,211
Intergovernmental	117	114	108	105	102
Capital outlays	52	51	76	67	49
Debt service:					
Principal	8	9	18	16	16
Interest	1	3	-	1	1
Total Expenditures	28,477	26,134	23,742	23,728	24,203
Revenues Over (Under) Expenditures	1,308	721	960	256	447
OTHER FINANCING SOURCES (USES)					
Bonds issued, net of refunding	192	170	127	76	340
Other debt issued, net of refunding	7	-	4	15	14
Transfers in	466	518	596	496	939
Transfers out	(1,119)	(965)	(1,312)	(1,056)	(1,154)
Net Other Financing Sources (Uses)	(454)	(277)	(585)	(470)	139
Net Change in Fund Balances	$ 854	$ 444	$ 375	$ (214)	$ 586

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2010	2009	2008	2007	2006
$ 6,802	$ 7,234	$ 8,256	$ 7,870	$ 7,357
2,593	2,530	2,760	2,685	2,412
198	163	157	154	147
349	68	47	58	61
397	253	261	249	242
400	417	415	395	369
1,822	1,529	1,495	1,442	1,384
418	433	707	1,014	977
-	-	4	4	(1)
192	163	205	226	216
13,169	12,791	14,307	14,097	13,165
86	95	97	92	85
9,648	8,311	6,557	6,204	6,113
481	326	364	327	283
(9)	64	123	106	73
23,375	21,587	21,449	20,826	19,720
822	726	663	640	602
13,209	11,912	10,921	10,191	9,809
360	340	336	361	292
44	37	42	39	42
9,243	9,044	8,235	7,765	7,407
30	32	31	30	28
54	69	57	49	56
20	18	15	15	15
1	1	-	-	1
23,783	22,179	20,300	19,090	18,252
(408)	(592)	1,149	1,736	1,468
-	-	-	-	-
4	27	12	5	17
1,187	952	72	128	248
(1,566)	(1,144)	(1,217)	(1,843)	(1,825)
(375)	(165)	(1,133)	(1,710)	(1,560)
$ (783)	$ (757)	$ 16	$ 26	$ (92)

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry (1)	2014	2013	2012	2011	2010
Retail trade:					
Building materials, garden equipment and supplies	$ 5,348	$ 4,982	$ 4,537	$ 4,280	$ 4,290
General merchandise stores	10,711	10,511	10,311	10,063	10,086
Motor vehicles & parts	13,540	12,565	11,359	10,178	9,504
All other retail trade	26,725	25,582	24,261	23,436	22,464
Total retail sales	56,324	53,640	50,468	47,957	46,344
Construction	21,086	19,256	16,628	15,445	15,704
Accommodations & food services	14,365	13,334	12,611	11,866	11,293
Wholesale trade	9,053	8,750	8,266	8,048	7,618
Information	5,972	5,429	5,117	4,997	4,957
Manufacturing	2,478	2,286	2,114	2,207	2,084
All other industries	15,566	14,506	13,849	13,221	12,808
Total sales subject to retail sales tax	$ 124,844	$ 117,201	$ 109,053	$ 103,741	$ 100,808
Direct retail sales tax rate (2)	6.5%	6.5%	6.5%	6.5%	6.5%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes.
(2) State retail sales tax rate only; excludes local retail sales tax rate.

Source: Washington State Department of Revenue, Quarterly Business Review

2009	2008	2007	2006	2005
$ 4,234	$ 4,894	$ 5,377	$ 5,379	$ 4,936
9,872	9,802	9,980	9,538	8,907
9,218	10,562	12,741	12,461	12,049
21,640	23,272	23,565	22,308	20,296
44,964	48,530	51,663	49,686	46,188
17,771	23,540	24,435	21,818	18,515
10,871	11,237	11,033	10,253	9,520
7,498	8,703	9,328	8,601	8,240
4,762	4,915	4,766	4,614	4,628
2,106	2,644	3,085	2,699	2,492
12,907	14,439	14,647	13,771	12,571
$ 100,879	$ 114,008	$ 118,957	$ 111,442	$ 102,154
6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2014			2005		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retail trade	50,252	1	25.3%	51,338	1	26.9%
Construction	38,229	2	19.2%	38,262	2	20.1%
Other services [2]	20,169	3	10.1%	21,070	3	11.1%
Management, education & health services	19,330	4	9.7%	16,703	4	8.8%
Accommodations & food services	18,569	5	9.3%	16,672	5	8.7%
Professional, scientific & technical services	13,108	6	6.6%	11,576	7	6.1%
All other industries [3]	11,954	7	6.0%	12,236	6	6.4%
Manufacturing	11,005	8	5.5%	8,519	9	4.5%
Wholesale trade	10,737	9	5.4%	10,096	8	5.3%
Arts, entertainment & recreation	5,650	10	2.9%	3,980	10	2.1%
Total	199,003		100%	190,452		100%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

[2] Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

[3] All other industries include real estate and rental leasing, transportation and warehousing, and information.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation (B&O) Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2014			2005		
Industry [1]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retailing	191,144	1	40.3%	172,843	1	41.9%
Service and other activities, and gambling contests less than $50,000/year	163,252	2	34.4%	126,612	2	30.7%
Wholesaling	88,071	3	18.6%	82,352	3	20.0%
Manufacturing	9,815	4	2.1%	11,085	4	2.7%
Other B&O tax classifications	6,560	5	1.4%	5,897	5	1.4%
Insurance agents/insurance brokers commissions	4,819	6	1.0%	4,812	6	1.2%
Royalties and child care	4,496	7	0.9%	2,803	7	0.7%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,256	8	0.5%	2,460	8	0.6%
Travel agent commissions/international charter, freight brokers, and stevedoring	1,863	9	0.4%	1,440	10	0.4%
Processing for hire, and printing and publishing	1,798	10	0.4%	1,832	9	0.4%
Total	474,074		100%	412,136		100%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2014	2013	2012	2011	2010
Retailing	$ 173,663	$ 163,752	$ 153,467	$ 146,698	$ 138,995
Wholesaling	142,992	136,837	131,471	125,471	110,041
Service and other activities	93,327	88,826	83,537	78,617	75,069
Manufacturing, wholesaling, and retailing of airplanes and components	61,433	54,744	48,788	35,414	32,383
Manufacturing	28,848	28,320	26,556	26,020	23,260
Other business & occupation tax classifications	52,131	48,833	46,974	46,173	42,825
Total	$ 552,394	$ 521,312	$ 490,793	$ 458,393	$ 422,573
State B&O tax rate range	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.9%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

Source: Washington State Department of Revenue, Quarterly Business Review

2009	2008	2007	2006	2005
$ 136,738	$ 153,775	$ 155,997	$ 146,018	$ 133,888
105,659	135,935	128,820	113,614	110,516
74,061	77,880	75,729	69,571	63,270
33,323	25,770	32,672	27,277	5,006
21,725	27,177	25,829	29,101	29,988
40,721	44,125	41,031	34,578	38,943
$ 412,227	$ 464,662	$ 460,078	$ 420,159	$ 381,611
0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type (1)

Last Ten Fiscal Years (expressed in millions, except per capita)

	2015	2014	2013	2012	2011
Governmental Activities					
General obligation bonds	$ 19,868	$ 19,370	$ 18,638	$ 17,838	$ 16,750
Revenue bonds	2,316	1,894	1,706	1,657	740
Certificates of participation	580	570	588	469	482
Capital leases/installment contracts	5	11	12	7	6
Total Governmental Activities Debt	22,769	21,845	20,944	19,971	17,978
Business-Type Activities					
General obligation bonds	4	8	11	15	18
Revenue bonds	1,991	2,236	2,031	1,682	1,423
Certificates of participation	42	38	42	52	62
Capital leases	13	15	15	6	6
Total Business-Type Activities Debt	2,050	2,297	2,099	1,755	1,509
Total Primary Government Debt	$ 24,819	$ 24,142	$ 23,043	$ 21,726	$ 19,487
DEBT RATIOS					
Total Primary Government					
Ratio of total debt to personal income (2)	7.1%	7.2%	7.2%	7.2%	6.5%
Total debt per capita (3)	$ 3,515	$ 3,465	$ 3,348	$ 3,187	$ 2,879
General Bond Debt					
Ratio of general bonded debt to retail sales subject to tax (4)	15.9%	16.5%	17.1%	17.2%	16.2%
General bonded debt per capita (3)	$ 2,814	$ 2,781	$ 2,710	$ 2,619	$ 2,478

(1) Refer to Note 7 for long-term liability activity.

(2) Personal income data can be found in Schedule 13. Personal income data for 2015 is not available; used 2014 data to calculate 2015 ratio. The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

(3) Population data can be found in Schedule 14.

(4) Retail sales subject to tax can be found in Schedule 6. Retail sales data for 2015 is not available; used 2014 data to calculate 2015 ratio.

Source: Washington State Office of Financial Management, Accounting Division

2010	2009	2008	2007	2006
$ 16,540	$ 14,049	$ 12,927	$ 11,573	$ 10,464
743	616	555	608	615
449	395	383	382	333
14	10	15	20	18
17,746	15,070	13,880	12,583	11,430
60	69	80	101	120
1,084	1,074	1,115	889	794
293	310	261	246	239
6	10	15	21	21
1,443	1,463	1,471	1,257	1,174
$ 19,189	$ 16,533	$ 15,351	$ 13,840	$ 12,604
6.8%	6.0%	5.3%	5.1%	5.0%
$ 2,854	$ 2,478	$ 2,323	$ 2,121	$ 1,963
16.5%	14.0%	11.4%	9.8%	9.5%
$ 2,469	$ 2,116	$ 1,968	$ 1,789	$ 1,649

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information (1)

Last Ten Fiscal Years (expressed in millions)

	2015	2014	2013	2012	2011
Legal Debt Limitation Calculation (2)					
Six year mean, general state revenues	$ 14,794	$ 13,245	$ 12,533	$ 12,080	$ 12,176
Times: Percentage of six year mean, general state revenu	8.5%	9%	9%	9%	9%
Equals: Debt service limitation	$ 1,257	$ 1,192	$ 1,128	$ 1,087	$ 1,096
Debt service limitation	$ 1,257	$ 1,192	$ 1,128	$ 1,087	$ 1,096
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,129	1,125	1,056	1,031	995
Equals: Debt service capacity	$ 128	$ 67	$ 72	$ 56	$ 101
Remaining state general obligation debt capacity (3)	$ 2,031	$ 977	$ 1,142	$ 874	$ 1,425
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	11,160	11,208	10,730	10,708	10,470
Equals: Maximum debt authorization subject to limitation	$ 13,191	$ 12,185	$ 11,872	$ 11,582	$ 11,895
Debt service capacity as a percentage of total debt service limitation	10.2%	5.6%	6.4%	5.2%	9.2%
Remaining debt capacity as a percentage of maximum debt authorized	15.4%	8.0%	9.6%	7.5%	12.0%

(1) The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

(2) Prior to Fiscal Year 2015, the Constitution prohibited the issuance of new debt if, as a consequence, the maximum annual debt service on all thereafter outstanding debt were to exceed nine percent of the arithmetic mean of general state revenues for the preceding three fiscal years. In fiscal year 2015 the debt limit was subject to an amendment of the state Constitution specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the

(3) The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption. Interest rate assumption for 2015 is 3.88 percent.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

2010	2009	2008	2007	2006
$ 12,518	$ 14,422	$ 13,545	$ 10,315	$ 9,323
9%	7%	7%	9%	9%
$ 1,127	$ 1,010	$ 948	$ 928	$ 839
$ 1,127	$ 1,010	$ 948	$ 928	$ 839
971	797	747	772	740
$ 156	$ 213	$ 201	$ 156	$ 99
$ 2,267	$ 2,791	$ 2,889	$ 2,390	$ 1,484
10,163	8,032	7,244	7,439	7,304
$ 12,430	$ 10,823	$ 10,133	$ 9,829	$ 8,788
13.8%	21.1%	21.2%	16.8%	11.8%
18.2%	25.8%	28.5%	24.3%	16.9%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage [1]

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Scheduled Debt Service [4] Principal	Scheduled Debt Service [4] Interest	Coverage Ratio
Governmental Activities						
2015	$ 93	$ 13	$ 80	$ 50	$ 41	0.88
2014	108	14	94	45	58	0.91
2013	83	8	75	36	55	0.82
2012	77	5	78	29	48	1.01
2011	60	3	57	21	36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
2006	41	1	40	5	35	1.00
Business-Type Activities						
2015	$ 2,153	$ 1,978	$ 175	$ 82	$ 102	0.95
2014	1,928	1,767	161	81	86	0.96
2013	1,789	1,652	137	18	86	1.32
2012	1,689	1,597	92	53	63	0.79
2011	1,522	1,575	(53)	40	50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73
2006	1,176	1,072	104	14	29	2.42

(1) Refer to Note 7 for information on the nature of revenue bonds issued by the state.

(2) Total operating revenues.

(3) Total operating expenses exclusive of depreciation.

(4) Scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7.

Source: Washington State Office of Financial Management, Accounting Division

DEMOGRAPHIC INFORMATION

Schedule 13 – Personal Income Comparison
Washington State vs. United States

Last Ten Calendar Years (expressed in billions, except per capita)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Washington State										
Personal income	$ 350	$ 333	$ 324	$ 304	$ 287	$ 281	$ 290	$ 277	$ 256	$ 236
Percent change	5%	3%	7%	6%	2%	-3%	5%	8%	9%	5%
Per capita	$ 49,583	$ 47,717	$ 47,055	$ 44,565	$ 42,547	$ 42,137	$ 44,143	$ 42,829	$ 40,127	$ 37,638
United States										
Personal income	$ 14,694	$ 14,068	$ 13,915	$ 13,255	$ 12,477	$ 12,095	$ 12,502	$ 12,000	$ 11,394	$ 10,614
Percent change	4%	1%	5%	6%	3%	-3%	4%	5%	7%	6%
Per capita	$ 46,129	$ 44,765	$ 44,200	$ 42,332	$ 40,144	$ 39,379	$ 40,873	$ 39,804	$ 38,127	$ 35,888
Washington Per Capita Rate as % of United States Per Capita Rate	107%	107%	106%	105%	106%	107%	108%	108%	105%	105%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change
Washington State vs. United States

Last Ten Years (expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Washington State (1)										
Population	7,061.4	6,968.2	6,882.4	6,817.8	6,767.9	6,724.5	6,672.2	6,608.3	6,525.1	6,420.3
Net increase	93.2	85.8	64.6	49.9	43.4	52.4	63.9	83.2	104.8	121.4
Percent change	1.3%	1.2%	0.9%	0.7%	0.6%	0.8%	1.0%	1.3%	1.6%	1.9%
Components of change:										
Births	88.4	87.0	87.3	87.1	86.4	88.4	89.8	89.6	87.8	83.2
Deaths	52.5	50.7	50.8	49.2	48.8	47.7	48.1	47.9	46.2	45.3
Net migration	57.4	49.5	28.2	12.0	5.8	11.6	22.2	41.5	63.2	83.5
United States (2)										
Population	N/A	318,857	316,498	314,112	311,722	309,347	306,772	304,094	301,231	298,380
Percent change	N/A	0.7%	0.8%	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%

(1) Washington State population estimates are as of April 1 each year. Population estimates for 2009 through 2006 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 through 2015 are postcensal estimates developed by the Washington State Office of Financial Management.

(2) United States population intercensal estimates are as of July 1 of each year.

Figures may not total due to rounding.

N/A indicates data not available.

Sources:
Washington State Office of Financial Management
U.S. Census Bureau, Population Division

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates Washington State vs. United States

Last Ten Calendar Years

	2014	2013	2012	2011	2010
Washington State (in thousands)					
Civilian labor force	3,487	3,457	3,463	3,482	3,515
Employment	3,269	3,217	3,185	3,162	3,167
Total unemployment	218	240	278	320	348
Unemployment percentage rate	6.3%	6.9%	8.0%	9.2%	9.9%
United States (in millions)					
Civilian labor force	155.9	155.4	155.0	153.6	153.9
Employment	146.3	143.9	142.5	139.9	139.1
Total unemployment	9.6	11.5	12.5	13.7	14.8
Unemployment percentage rate	6.2%	7.4%	8.1%	8.9%	9.6%
Washington Unemployment Rate as % of United States Unemployment Rate	101.6%	93.2%	98.8%	103.4%	103.1%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to five years.

Source: Washington State Economic and Revenue Forecast, June 2015

2009	2008	2007	2006	2005
3,535	3,479	3,393	3,319	3,259
3,206	3,286	3,237	3,155	3,080
329	193	156	164	179
9.3%	5.5%	4.6%	5.0%	5.5%
154.2	154.3	153.1	151.4	149.3
139.9	145.4	146.0	144.4	141.7
14.3	8.9	7.1	7.0	7.6
9.3%	5.8%	4.6%	4.6%	5.1%
100.0%	94.8%	100.0%	108.7%	107.8%

DEMOGRAPHIC INFORMATION

Schedule 16 – Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages (1)				
Industry (2)	2014(3)	2013	2012	2011	2010
Information	$ 148,429	$ 135,304	$ 131,872	$ 119,968	$ 109,777
Management of companies and enterprises	106,518	105,501	105,535	102,009	95,731
Utilities	87,212	86,373	84,024	82,058	77,591
Professional, scientific, and technical services	84,882	81,893	79,972	77,178	75,376
Finance and insurance	82,103	79,587	77,455	73,154	70,137
Manufacturing	74,304	70,798	69,306	68,065	64,925
Wholesale trade	70,167	68,230	68,481	65,831	63,348
Mining	63,404	62,444	60,231	58,871	55,654
Government	55,603	53,733	52,871	52,174	51,394
Construction	55,038	53,735	53,056	52,304	51,127
Transportation and warehousing	52,293	51,967	50,876	49,628	47,743
Real estate, rental and leasing	45,179	43,426	42,040	39,816	38,359
Administrative and support services (4)	44,382	43,261	43,381	42,942	41,466
Health care and social assistance (5)	44,246	47,733	47,067	45,852	44,673
Education services	36,918	36,775	36,226	35,576	35,158
Retail trade	36,127	34,084	32,364	30,917	30,021
Other services (5)	35,570	26,717	25,651	24,549	24,227
Arts, entertainment, and recreation	29,725	27,771	25,276	25,023	25,121
Agriculture, forestry, fishing, and hunting	27,758	26,880	26,295	25,097	24,034
Accommodation and food services	19,561	19,136	18,698	18,062	17,632

(1) Wages include only employment covered by unemployment insurance. Wages may not include private firms or disclosure of individual employers.

(2) Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.

(3) 2014 data is preliminary.

(4) Wages classified under administrative and support services include waste management and remediation services.

(5) A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these are now classified correctly as health care and social assistance.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

2009	2008	2007	2006	2005
$ 105,715	$ 104,053	$ 96,240	$ 91,081	$ 82,647
87,642	87,431	86,867	85,031	75,236
84,410	76,945	73,736	70,404	65,615
71,837	70,120	70,104	63,687	61,181
71,304	72,653	70,044	66,684	62,382
62,931	61,260	59,568	58,196	54,953
61,569	61,041	59,345	56,572	53,458
52,981	54,718	58,056	54,924	52,592
50,420	48,705	46,914	44,745	42,915
51,043	49,443	46,783	43,746	41,482
46,522	45,433	45,320	44,078	42,798
36,777	36,669	36,334	34,948	32,744
39,571	37,536	36,463	34,533	33,649
43,561	41,424	39,474	37,654	36,162
34,505	33,550	32,076	30,901	29,860
29,356	29,268	29,082	28,174	27,330
24,881	25,637	24,385	23,009	22,010
25,527	26,949	27,643	27,139	25,724
23,675	24,491	23,413	22,239	21,122
17,063	16,430	16,019	15,469	15,014

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry

Current Calendar Year and Nine Years Ago

Industry [1]	2014 Annual Averages			2005 Annual Averages		
	Number of Employees [2]	Percent of Total	Number of Employers	Number of Employees [2]	Percent of Total	Number of Employers
Government	523,874	17.2%	2,128	501,953	18.1%	2,035
Health care and social assistance [3]	392,480	12.9%	61,628	279,804	10.1%	13,089
Retail trade	337,138	11.1%	14,948	310,299	11.2%	14,398
Manufacturing	285,469	9.4%	6,963	267,703	9.7%	7,142
Accommodation and food services	246,772	8.1%	13,739	215,078	7.8%	11,744
Professional, scientific, and technical services	177,261	5.8%	21,718	135,425	4.9%	15,407
Construction	150,100	4.9%	22,079	165,070	6.0%	22,717
Administrative and support services [4]	148,363	4.9%	10,856	138,082	5.0%	8,367
Wholesale trade	127,901	4.2%	13,646	118,698	4.3%	12,310
Information	108,888	3.6%	3,073	94,427	3.4%	2,327
Agriculture, forestry, fishing, and hunting	99,738	3.3%	7,298	83,155	3.0%	8,143
Finance and insurance	90,876	3.0%	5,650	102,587	3.7%	5,610
Other services [3]	89,494	2.9%	17,416	111,572	4.0%	49,638
Transportation and warehousing	87,248	2.9%	4,414	80,950	2.9%	3,872
Arts, entertainment, and recreation	46,675	1.5%	2,625	44,056	1.6%	2,307
Real estate, rental and leasing	46,072	1.5%	6,482	47,847	1.7%	6,522
Mgmt. of companies and enterprises	39,917	1.3%	650	33,313	1.2%	619
Education services	38,480	1.3%	2,975	29,023	1.1%	1,903
Utilities	4,770	0.1%	233	4,386	0.2%	230
Mining	2,192	0.1%	156	3,301	0.1%	158
Total average employment [5]	3,043,708	100.0%	218,677	2,766,729	100.0%	188,538

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these are now classified correctly as health care and social assistance.

(4) Employment classified under administrative and support services include waste management and remediation services.

(5) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2014	Rank 2013	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
18	19	Costco Wholesale	$ 112,640	$ 2,058	153,500	Issaquah
29	35	Amazon.com	88,988	(241)	154,100	Seattle
31	34	Microsoft	86,833	22,074	128,000	Redmond
158	169	Paccar	18,997	1,359	23,300	Bellevue
187	196	Starbucks	16,448	2,068	191,000	Seattle
224	224	Nordstrom	13,506	720	67,000	Seattle
355	320	Weyerhaeuser	7,976	1,826	12,800	Federal Way
413	425	Expeditors Intl. of Washington	6,565	377	14,659	Seattle
458	N/A	Expedia	5,764	398	18,210	Bellevue
484	482	Alaska Air Group	5,368	605	13,952	Seattle

N/A indicates data not applicable.

Source: Fortune Magazine, June 15, 2015

Schedule 19 – Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2014 vs. 2013	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Apples	-11%	$ 1,896	$ 2,134	$ 2,482	$ 1,831	$ 1,541	$ 1,413	$ 1,288	$ 1,780	$ 1,403	$ 1,032
Milk (2)	25%	1,626	1,299	1,160	1,277	950	684	1,002	1,062	688	836
Cattle/calves	15%	820	715	659	592	568	473	496	574	584	601
Potatoes	-3%	771	792	700	771	654	646	693	675	562	535
Wheat	-29%	715	1,014	1,162	1,138	925	594	745	949	618	456
Hay, all	4%	703	675	626	716	509	452	581	498	401	367
Cherries, all	32%	510	385	499	534	367	231	297	327	273	338
Grapes, all	9%	302	278	249	189	214	209	199	174	147	141
Pears, all	4%	234	225	206	186	188	158	171	178	159	142
Hops	17%	217	185	144	157	163	265	259	137	88	73

(1) Acreage and/or yield data is preliminary. The value may not be finalized until up to two years after production.

(2) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

Source: United States Department of Agriculture, National Agricultural Statistics Service

DEMOGRAPHIC INFORMATION

Schedule 20 – International Trade Facts (All Washington Ports)

Last Ten Calendar Years (expressed in millions)

International Trade	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Exports [1]	$ 93,908	$ 98,740	$ 84,187	$ 77,284	$ 64,723	$ 58,468	$ 77,088	$ 78,453	$ 68,202	$ 51,533
Imports	90,639	89,559	93,614	86,997	80,020	67,896	87,511	85,469	81,953	81,308
Trade balance	$ 3,269	$ 9,181	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)	$ (13,752)	$ (29,775)
Two-way trade	$ 184,547	$ 188,299	$ 177,801	$ 164,281	$ 144,743	$ 126,364	$ 164,599	$ 163,922	$ 150,155	$ 132,841

(1) Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Figures may not total due to rounding.

Source: Washington State Department of Commerce

Schedule 21 – Value of Trade with Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners [1]	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Canada	$ 18,937	$ 27,635	$ 18,135	$ 17,353	$ 14,936	$ 13,326	$ 17,049	$ 15,267	$ 12,894	$ 10,581
China (Mainland)	18,880	16,390	14,027	11,962	11,695	7,607	8,614	9,357	8,030	6,576
Japan	8,908	8,465	9,850	8,036	7,368	6,475	10,677	10,567	9,810	9,272
Korea, Republic of	3,644	3,371	3,903	4,096	3,378	2,584	4,003	3,683	3,161	2,467
United Arab Emirates	3,212	3,969	5,017	2,715	909	2,897	2,160	2,119	2,980	1,855
Taiwan	2,734	2,295	1,866	2,070	2,556	1,917	3,142	3,702	3,332	3,822
United Kingdom	2,710	2,530	1,452	1,921	1,083	1,356	1,316	1,753	1,022	878
Hong Kong	2,194	3,114	2,533	2,386	1,205	1,950	1,231	1,269	792	754
Russia	2,012	1,277	718	636	327	257	701	532	264	333
Germany	1,914	2,064	1,730	1,591	1,656	1,413	1,011	1,163	814	623

(1) Export figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

Schedule 22 – Value of Trade with Major Import Trading Partners

Last Ten Calendar Years (expressed in millions)

Import Partners [1]	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
China (Mainland)	$ 28,968	$31,776	$33,820	$31,100	$32,228	$27,341	$30,632	$28,684	$24,198	$22,653
Canada	18,953	17,529	16,430	16,284	13,948	10,916	15,877	16,925	18,555	21,390
Japan	16,816	17,036	19,129	16,198	13,886	11,656	17,274	15,858	15,980	15,245
Korea, Republic of	4,945	4,529	4,380	3,760	3,315	2,719	3,875	4,235	4,264	4,270
Taiwan	3,347	3,131	3,442	3,291	3,141	2,414	4,072	3,610	3,451	3,519
United Kingdom	1,661	1,303	1,013	697	625	633	581	792	913	746
Vietnam	1,346	1,326	1,637	1,421	1,234	1,160	1,092	1,130	904	819
Thailand	1,151	1,039	1,050	959	974	804	1,154	1,221	1,389	1,296
Netherlands	1,083	1,039	1,050	959	974	804	1,154	1,221	1,389	1,296
France	1,011	595	595	1,163	1,240	483	742	546	733	854

(1) Import figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Value of all taxable property:										
Assessed value	$ 880,155	$ 808,328	$ 767,064	$ 793,703	$ 824,885	$ 862,108	$ 919,505	$ 841,309	$ 738,395	$ 634,883
Property value of exemptions:										
Senior citizen	$ 3,183	$ 2,491	$ 2,689	$ 4,170	$ 5,362	$ 6,491	$ 8,715	$ 8,022	$ 6,604	$ 5,267
Head of household	60	56	61	65	72	77	84	105	44	68
Total exemptions	$ 3,243	$ 2,547	$ 2,750	$ 4,236	$ 5,434	$ 6,568	$ 8,799	$ 8,127	$ 6,648	$ 5,335
New construction and improvements:										
Assessed value	$ 11,213	$ 9,198	$ 6,598	$ 7,207	$ 9,001	$ 13,443	$ 19,435	$ 20,861	$ 19,680	$ 15,393

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Permits	33,898	32,962	28,118	20,864	20,691	17,011	28,919	47,397	50,033	52,988
Valuations	$ 7,017	$ 6,684	$ 5,649	$ 4,036	$ 3,891	$ 3,186	$ 5,063	$ 8,130	$ 8,540	$ 8,742

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	8,386	8,256	8,268	9,082	9,196	9,696	9,899	9,734	9,508	9,330
Human services	33,105	32,744	32,205	31,766	32,133	34,034	35,015	34,720	33,669	32,918
Natural resources	6,520	6,256	6,232	6,011	5,928	6,120	6,479	6,596	6,507	6,254
Transportation	10,230	10,334	10,457	10,458	10,783	11,037	11,264	11,300	11,025	10,662
Education	52,296	51,303	50,406	48,603	49,454	49,086	49,889	49,070	47,984	47,477
Total	110,537	108,893	107,568	105,920	107,494	109,973	112,546	111,420	108,693	106,641
Percentage change	1.5%	1.2%	1.6%	-1.5%	-2.3%	-2.3%	1.0%	2.5%	1.9%	-0.1%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include budgeted operating and capital FTEs and FTEs for nonbudgeted higher education funds.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 26 – Full-Time Equivalent Staff Comparison (General Fund State)

Last Ten Fiscal Years

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	2,825	2,740	2,870	2,845	3,060	3,234	3,285	3,225	3,175	3,108
Human services	18,508	18,487	17,569	17,192	16,962	16,984	17,699	17,944	17,548	17,051
Natural resources	1,341	1,474	1,667	1,595	1,712	2,080	2,505	2,462	2,193	2,175
Transportation	306	360	354	367	371	418	373	449	343	428
Education	15,087	14,189	14,969	14,941	16,535	17,675	21,269	21,082	20,171	19,587
Total	38,067	37,250	37,429	36,940	38,640	40,391	45,131	45,162	43,430	42,349
Percentage change	2.2%	-0.5%	1.3%	-4.4%	-4.3%	-10.5%	-0.1%	4.0%	2.6%	0.9%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 27– Operating and Capital Asset Indicators by Function
General Government

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Department of Revenue					
Number of state excise taxpayer registered accounts	684,306	742,139	790,312	816,922	824,588
Number of taxable real estate excise tax (REET) sales	254,147	242,434	241,595	209,442	206,805
Department of Enterprise Services [1]					
Number of leases for office space [2]	560	546	532	521	580
Gross square feet of leased office space (in thousands)	7,542	7,749	7,624	7,467	9,046
Number of owned buildings [3]	37	37	37	38	38
Gross square feet of owned office space (in thousands)	2,990	2,990	2,990	3,004	3,004
Liquor and Cannabis Board					
Liquor: [4]					
Retail licensees	17,739	16,246	15,655	15,044	13,628
Non-retail licensees	5,626	5,649	5,364	4,916	3,244
Number of state owned liquor stores	N/A	N/A	N/A	N/A	166
Number of contracted liquor stores	N/A	N/A	N/A	N/A	162
Marijuana: [5]					
Producer licensees	530	57	N/A	N/A	N/A
Processor licensees	456	47	N/A	N/A	N/A
Retail licensees	171	N/A	N/A	N/A	N/A

(1) As a result of the 2011 legislation to consolidate central service functions of state government, the Department of General Administration became part of the newly created Washington State Department of Enterprise Services on October 1, 2011.

(2) The number of leases for office space only includes leases that the Department of Enterprise Services has acquired. The number of leases does not include leases done under a delegation of authority by another state agency, and does not include space that may include multiple uses, such as warehouse and office, office and classrooms, etc.

(3) In fiscal year 2010, five small buildings on the Wheeler site were demolished to make way for construction of a new office building.

(4) With the passage of Initiative 1183, which privatized the distribution and retail sale of liquor, the Washington State Liquor Control Board closed its state liquor stores and ceased liquor distribution operations on June 1, 2012.

(5) The passage of Initiative 502, which legalized marijuana for recreational use, included these new license types.

N/A indicates data is not applicable.

Sources:
Washington State Department of Revenue, Tax Statistics
Washington State Department of Enterprise Services
Washington State Liquor and Cannabis Board

2010	2009	2008	2007	2006
793,056	804,145	782,010	774,295	759,235
215,233	198,515	250,971	316,432	364,906
619	569	626	610	604
8,874	7,521	7,764	8,662	7,789
38	46	46	44	44
3,004	3,102	3,102	3,101	3,101
13,450	13,040	12,925	13,006	12,650
3,051	2,798	2,519	2,471	1,954
164	161	161	161	161
159	155	154	154	154
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Department of Social and Health Services [(1)]					
Mental health programs:					
Mental health state facilities [(2)]	3	3	3	3	3
Mental health state facilities available beds	1,161	1,161	1,161	1,161	1,176
Mental health state facilities average daily census [(3)]	1,101	1,117	1,087	1,077	1,078
Community outpatient mental health facilities [(4)]	131	157	161	161	184
Community outpatient mental health programs, clients served [(5)]	169,815	152,029	145,492	138,268	137,768
Income assistance programs:					
Temporary assistance for needy families caseload	35,138	42,571	48,675	54,433	65,140
Food assistance caseload [(6)]	582,032	595,150	597,494	581,020	536,635
Health Care Authority [(7)]					
Medical assistance programs:					
Monthly average caseload certified eligible	1,746,998	1,412,069	1,234,885	1,226,705	1,218,534
Department of Corrections					
Number of correctional institutions [(8)]	12	12	12	12	12
Offenders in confinement [(9)]	18,445	18,121	17,930	17,697	18,483
Prison and work release operating capacity	17,498	17,187	17,101	16,855	17,060
Department of Health					
Licensed health professionals [(10)]	417,139	401,822	387,765	378,041	372,657
Department of Labor and Industries					
Claims filed, injured or ill workers	109,359	106,903	103,328	101,524	100,690
Electrical inspections performed	214,439	203,975	189,027	173,358	171,861
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program	N/A	5,292	4,854	5,516	6,240

(1) Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) The increased number of community outpatient mental health facilities in fiscal year 2010 is due to funding shifts and legislation.

(5) The community outpatient mental health program, clients served data, excludes involuntary clients, stabilization services, and mental health residential services. Reporting for excluded services varies across the state. The number of clients served in community outpatient mental health programs during previous fiscal years may change in future report iterations due to reporting lags and data corrections. In April 2013, significant improvements were made to the quality of the Mental Health data in the Communicating Outcomes Performance and Evaluation (SCOPE) System. This includes an improved process to unduplicate clients within and between data systems, and a more consistent method to identify a client's Medicaid eligibility status. These improvements resulted in many small changes in historical Community Mental Health client counts throughout SCOPE and are reflected here.

(6) Data reflects state fiscal year average, total participating households in the Basic Food Program.

(7) The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011. Due to reporting lags, the Health Care Authority periodically revises its data for periods up to five years.

(8) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(9) Offenders in confinement include offenders in prison, work release, and in-state rented beds.

(10) Includes certified, licensed, and registered health professionals. Emergency medical technicians were not included in the counts for years prior to 2007.

2010	2009	2008	2007	2006
3	3	4	4	4
1,197	1,264	1,359	1,380	1,280
1,101	1,172	1,251	1,292	1,262
177	149	144	150	150
132,112	125,467	122,576	119,384	119,845
64,451	56,459	50,122	51,939	55,524
458,123	351,617	288,281	279,985	273,551
1,158,205	1,066,606	972,444	887,966	894,804
13	15	15	15	15
18,457	18,627	18,551	18,471	17,905
16,856	16,756	15,785	15,222	15,013
357,766	335,830	330,850	331,147	287,512
102,734	116,616	136,791	140,308	140,887
189,763	216,305	265,564	282,100	172,402
7,689	7,565	5,414	6,810	7,389

N/A indicates data not available or not applicable.

Sources:
Washington State Department of Social and Health Services
Washington State Health Care Authority
Washington State Department of Corrections
Washington State Department of Health
Washington State Department of Labor and Industries

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function Transportation

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Department of Transportation					
Number of ferries	24	22	22	23	21
Vehicles on ferries (in thousands)	10,372	10,156	10,045	9,983	9,973
Passengers on ferries (in thousands)	13,261	12,651	12,350	12,236	12,374
State highway miles of travel (1)					
Rural (in millions)	N/A	10,641	10,371	11,252	11,353
Urban (in millions)	N/A	21,536	21,278	19,963	20,103
State highway lane miles					
Rural	13,091	13,085	13,798	13,814	13,795
Urban	7,641	7,606	6,882	6,817	6,792
Total	20,732	20,691	20,680	20,631	20,587
Pavement patching & repair (square feet)	74,263	86,948	82,415	113,304	135,952
Pavement striping maintenance (miles)	23,156	16,835	17,203	18,763	26,608
Anti & de-icing liquid application (gallons in thousands)	1,210	2,721	2,154	2,421	1,774
Litter pickup (cubic yards)	18,876	22,586	29,428	25,537	27,320
Department of Licensing (2)					
Total vehicle registrations (in thousands)	7,417	7,184	7,061	6,904	6,974
Licensed drivers (in thousands)	5,520	5,404	5,310	5,230	5,180
Washington State Patrol (3)					
Total contacts	1,228,397	1,225,768	1,262,584	1,256,569	1,272,526
Citations issued	509,687	506,862	516,593	518,315	520,447
Motorist assists	316,659	300,806	296,170	301,511	310,013
Collisions investigated	37,996	35,479	33,989	34,995	37,106
Number of traffic officers	589	585	635	626	624

(1) N/A indicates data is not available.
(2) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers.
(3) Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2010	2009	2008	2007	2006
22	22	24	28	28
10,134	9,910	10,391	10,827	10,597
12,504	12,598	12,901	13,163	12,960
11,521	11,362	10,988	11,564	11,397
20,243	20,093	19,754	20,406	20,367
13,744	13,724	13,685	13,668	13,652
6,755	6,668	6,566	6,505	6,447
20,499	20,392	20,251	20,173	20,099
179,585	128,076	100,124	92,216	160,280
16,801	18,140	20,020	20,328	23,145
2,834	4,724	3,938	4,541	3,507
26,739	12,230	18,452	17,234	22,916
6,752	6,862	7,029	6,733	6,643
5,108	5,028	4,955	4,774	4,690
1,258,637	1,257,774	1,237,584	1,255,500	1,309,510
523,786	540,181	570,691	592,122	541,287
296,887	305,421	306,650	309,864	344,249
34,182	36,922	39,289	40,666	40,535
636	633	616	626	626

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
State Parks and Recreation Commission					
Number of official, developed state parks	123	123	116	116	116
Number of owned or managed properties (1)	93	93	243	243	241
Acreage of state parks (2)	137,781	138,266	123,952	121,711	121,547
Attendance at state parks (in thousands)	33,045	34,000	35,625	35,338	38,896
Department of Fish and Wildlife					
Recreational licenses issued (3)					
Hunting licenses	595,169	556,745	548,873	533,420	594,673
Fishing licenses	1,546,250	1,503,651	1,407,714	1,456,268	1,355,967
Hatchery releases (pounds in thousands) (4)					
Salmon releases	3,818	3,759	4,146	4,032	4,206
Trout releases (5)	1,415	1,639	1,572	1,503	1,396
Department of Natural Resources (4)					
Common schools trust land acreage (in thousa	1,790	1,791	1,780	1,794	1,803
Total trust land acreage (in thousands)	3,122	3,122	3,072	2,918	2,929
Timber acres harvested	23,402	21,966	20,303	22,250	20,609
Timber volume harvested (thousand board fee	449,341	471,343	480,140	514,039	669,442
Timber volume sold (thousand board feet)	472,431	489,917	497,447	549,229	597,083
Natural area preserve sites	55	55	55	55	54
Natural area preserve acreage	36,342	36,245	36,156	38,284	36,896
Natural resources conservation area sites	36	36	35	35	31
Natural resources conservation area acreage	114,244	113,116	113,032	111,136	108,100

(1) In 2014, approximately 143 state park owned or managed properties formerly considered to be stand-alone properties were incorporated into larger, developed state parks.

(2) Prior to 2007, acreage owned by the U.S. Bureau of Land Management, leased jointly by State Parks and the Department of Fish and Wildlife (DFW) and managed by DFW, was included.

(3) In 2015 Department of Fish and Wildlife recalculated the historical data to include secondary license documents such as endorsements, catch cards, and duplicates. The purpose of this recalculated inclusion is to provide a more accurate representation of the department's licensing data.

(4) Fiscal year 2015 data is preliminary.

(5) Trout releases do not include trout lodge fish purchased by DFW.

N/A indicates data not available.

Sources:

Washington State Parks and Recreation Commission
Washington State Department of Fish and Wildlife
Washington State Department of Natural Resources

2010	2009	2008	2007	2006
118	120	120	120	120
183	219	231	231	226
121,506	121,152	121,010	120,146	260,487
44,315	41,535	41,590	39,297	40,026
626,491	539,708	543,054	525,497	495,749
1,383,337	1,234,575	1,158,688	1,163,672	1,148,482
4,395	4,332	4,435	4,788	4,702
1,384	1,411	1,410	1,523	1,409
1,810	1,813	1,799	1,757	1,757
2,944	2,947	2,923	2,877	2,876
26,841	27,168	24,625	29,687	N/A
805,946	504,939	504,796	493,341	657,962
741,666	545,634	660,247	570,531	527,609
54	53	52	52	51
35,585	35,365	31,207	29,991	29,975
30	30	29	31	30
97,293	96,989	93,534	88,862	87,793

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function Education

Last Ten Academic Years

	2014-15	2013-14	2012-13	2011-12	2010-11
K-12 Enrollment [1]					
K-8	705,178	696,390	680,696	676,539	673,558
9-12	307,448	306,030	306,819	307,949	312,691
Private and home based	7	5	8	12	9
Summer [2]	895	1,010	929	821	1,155
Running start	17,072	15,090	13,623	12,767	12,824
Open doors [1418] youth reengagement program [3]	2,921	2,058	747	119	N/A
UW transition	108	107	114	113	108
Total	1,033,629	1,020,690	1,002,937	998,320	1,000,345
High school graduates [4]	N/A	60,680	60,475	60,552	59,732
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment [1] [5]	138,724	143,292	147,433	153,395	162,328
Associate degrees granted	29,137	28,758	28,191	27,846	26,434
Baccalaureate degrees granted [6]	286	244	192	155	138
Student achievement points [7]	486,326	502,179	342,424	361,715	390,300
Public Universities: [8]					
Number of campuses	11	11	11	10	10
Enrollment [1]	107,935	106,038	105,112	104,702	103,214
Baccalaureate degrees granted	N/A	24,167	24,616	24,280	23,289
Masters degrees granted	N/A	5,761	5,809	5,597	5,498
Doctors degrees granted	N/A	1,022	1,032	915	1,035
Professional degrees granted	N/A	781	799	777	661

(1) K-12 enrollment figures are preliminary for academic year 2014-15. Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten: 4 classroom hours per day for 90 days or 2 classroom hours per day for 180 days.
- Grades 1 through 3: 4 classroom hours per day for 180 days.
- Grades 4 through 12: 5 classroom hours per day for 180 days.
- Undergraduate student: 15 credit hours per term.
- Graduate student: 10 credit hours per term.

(2) The increase in skills center summer students beginning in 2009-10 is due to reporting and funding changes.

(3) The youth reengagement program, beginning in academic year 2011-12, was created to provide educational opportunities for youth ages 16-21, who have dropped out of high school or are not accumulating sufficient credits to reasonably complete a high school diploma in a public school before the age of twenty one.

(4) Beginning with the 2010-2011 academic year, high school graduates are calculated using an adjusted (four-year) cohort method that tracks students expected to graduate high school within a four year period of time. Total high school graduates consist of students who received high school diplomas, graduated with Associates degrees, and graduated under Individualized Education Plans (IEPs). Prior to 2010-11, high school graduates were calculated using the traditional estimated (four-year) on-time cohort method which was based on students enrolled within a single school year.

(5) Enrollment figures include all non-Running Start students, which may include students under the age of 18. Beginning in academic year 2006-07, figures also include students enrolled in baccalaureate partnership programs.

(6) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(7) Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student achievement points are essential to the Student Achievement Initiative (SAI) within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington state, therefore data is not available for prior academic years. In 2012, after reviewing the data from the first six years of implementation, the State Board approved revisions to SAI which were effective in 2013-14. The revisions included additional points awarded for student retention and critical transitions for students starting less than college-ready, and for second year achievement.

2009-10	2008-09	2007-08	2006-07	2005-06
668,055	663,124	653,862	648,975	649,655
314,318	312,954	313,598	313,370	311,684
14	12	19	23	22
1,222	642	538	333	332
12,487	11,824	11,176	10,811	10,256
N/A	N/A	N/A	N/A	N/A
104	102	103	100	109
996,200	988,658	979,296	973,612	972,058
60,835	58,687	58,005	58,875	56,874
34	34	34	34	34
160,778	148,000	136,723	132,346	130,933
22,368	21,295	20,911	20,763	21,450
51	35	N/A	N/A	N/A
393,135	352,419	308,800	295,259	N/A
10	10	10	10	11
101,165	98,292	94,310	92,215	91,571
22,794	22,036	21,685	21,654	20,991
5,138	4,787	4,739	4,751	4,761
1,114	1,107	1,107	838	818
523	495	504	719	682

(8) Public Universities include all 4-year public institutions and branch campuses. The universities periodically update the number of degrees granted to more accurately reflect the data at the institution level.

N/A indicates data not available or not applicable.

Sources:
- Washington State Office of Financial Management
- Washington State Office of Superintendent of Public Instruction
- Washington State Board for Community and Technical Colleges
- Washington Student Achievement Council

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